Financial Statements 2010

General Meeting of Shareholders

The Board of Directors has unanimously resolved to approve the Reports and authorise the Chairman and Chief Executive Officer to establish, within the times established by law, the date and place of the Ordinary General Meeting of Shareholders with the following.

Agenda

1. Financial Statements of Piaggio & C. S.p.A. as of 31 December 2010; Directors' Report on Operations for 2010 and proposal to allocate profit for the year; Report of the Board of Statutory Auditors; Report of the Independent Auditors; Related and consequent resolutions; Presentation of the Consolidated Financial Statements as of 31 December 2010 of the Piaggio Group and relative reports. Related and consequent resolutions.
2. Appointment of a Director pursuant to article 2386 of the Italian Civil Code. Related and consequent resolutions.
3. Authorisation to acquire and process treasury shares.

Roberto Colaninno
Chariman and Chief Executive Officer

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Mission

The mission of the Piaggio Group is to generate value for its shareholders, clients and employees by acting as a global player that creates superior quality products, services and solutions for urban and extraurban mobility that respond to evolving needs and lifestyles.

To stand out as a player that contributes to the social and economic growth of the communities in which it operates, considering, in its activities, the need to protect the environment and the collective wellbeing of the community.

To be an Italian global player in the light mobility segment, standing out for its superior design, creativity and tradition. To become a leading European Company with a world class reputation, championing a business model based on the values of quality and tradition, and on the ongoing creation of value.

LIFE IN MOTION

Since the Second World War, Piaggio has pioneered the mobility revolution, improving the quality of life of Italians and other Europeans.

Today, the Piaggio Group manufactures two-, three- and four-wheelers that can meet a demand for mobility and the most diverse requirements of western markets and major Asian countries.

Piaggio has anticipated the new tends of the global economy and its ability to guarantee technological performance, lower consumption and to protect the environment has been fundamental in its business success.

Thanks to its ability to combine expertise with future trends, Piaggio is a global player, Europe's leading manufacturer of motorcycles and scooters and an international protagonist in the commercial vehicles sector.

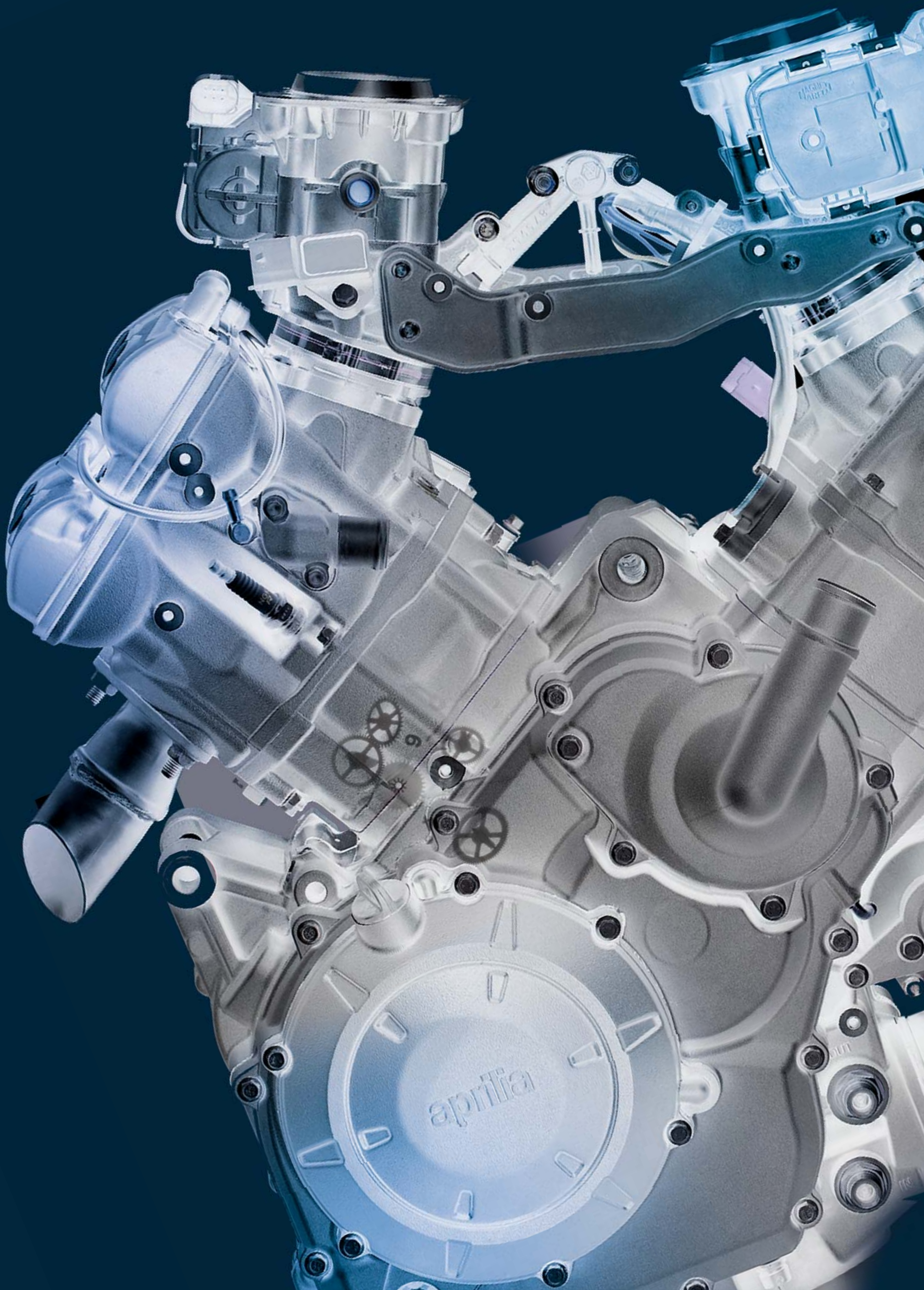
A total of **19.000** sales outlets worldwide

POWEREDBY *LEGENDS*

Piaggio values the great brands of a motorcycling tradition in Italy and Europe that has set an example the world over.

Exclusive symbols of style and technology, that interpret the most innovative needs and aspirations of communities that share a passion for a brand that stands for a way of life.

Unrivalled champion of the past and present, in the world of racing, with over 90 world titles to its name.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POWER OF LIGHTNESS

Two- and three-wheelers are the symbol of a core business that has always combined style, technology and performance with the most innovative trends in accessible, sustainable mobility.

A philosophy inspired by a concept of light mobility for people and goods, designed to fit in with society and the environment, to meet today's traffic requirements.

An exclusive vision that has come true, through a large industrial organisation with production sites in Italy, Spain, India and Vietnam, a production capacity of 600,000 vehicles a year, 5 research centres and a range of products covering all target segments.

These values are second nature to the Piaggio Group and look towards the future, with investments in new world-class engines and innovative products for hybrid and electric scooters and electric commercial vehicles.

more than **550.000** vehicles produced each year

Key operating and financial data

	2010	2009	2008
In millions of Euro			
Data on financial position			
Net revenues	1,485.4	1,486.9	1,570.1
Gross industrial margin	462.3	467.1	468.8
Operating income	111.1	104.4	94.5
Earnings before tax	83.8	74.1	59.6
Net income	42.8	47.4	43.3
Non-controlling interests	0.0	1.4	0.3
Group	42.8	46.0	43.0
Data on financial performance			
Net invested capital (NIC)	792.8	775.8	757.9
Consolidated net debt	(349.9)	(352.0)	(359.7)
Shareholders' equity	442.9	423.8	398.2
Balance sheet figures and financial ratios			
Gross margin as a percentage of net revenues	31.1%	31.4%	29.9%
Net income as a percentage of net revenues	2.9%	3.2%	2.8%
ROE (Net income/shareholders' equity)	9.7%	11.2%	10.9%
ROI (Operating income/NIC)	14.0%	13.5%	12.5%
ROS (Operating income/net revenues)	7.5%	7.0%	6.0%
EBITDA	197.1	200.8	189.1
EBITDA/net revenues	13.3%	13.5%	12.0%
Other information			
Sales volumes (unit/000)	628.4	607.7	648.6
Investments in property, plant and equipment and intangible assets	96.2	93.8	102.9
Research and Development	62.9	71.3	73.0
Employees at the end of the period (number)	7,529	7,300	6,208

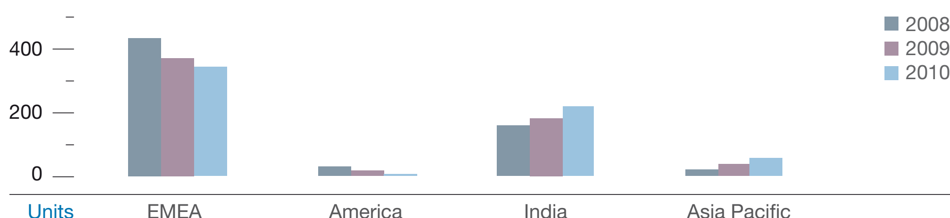
The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit or loss.

Revenues by business segment (%)

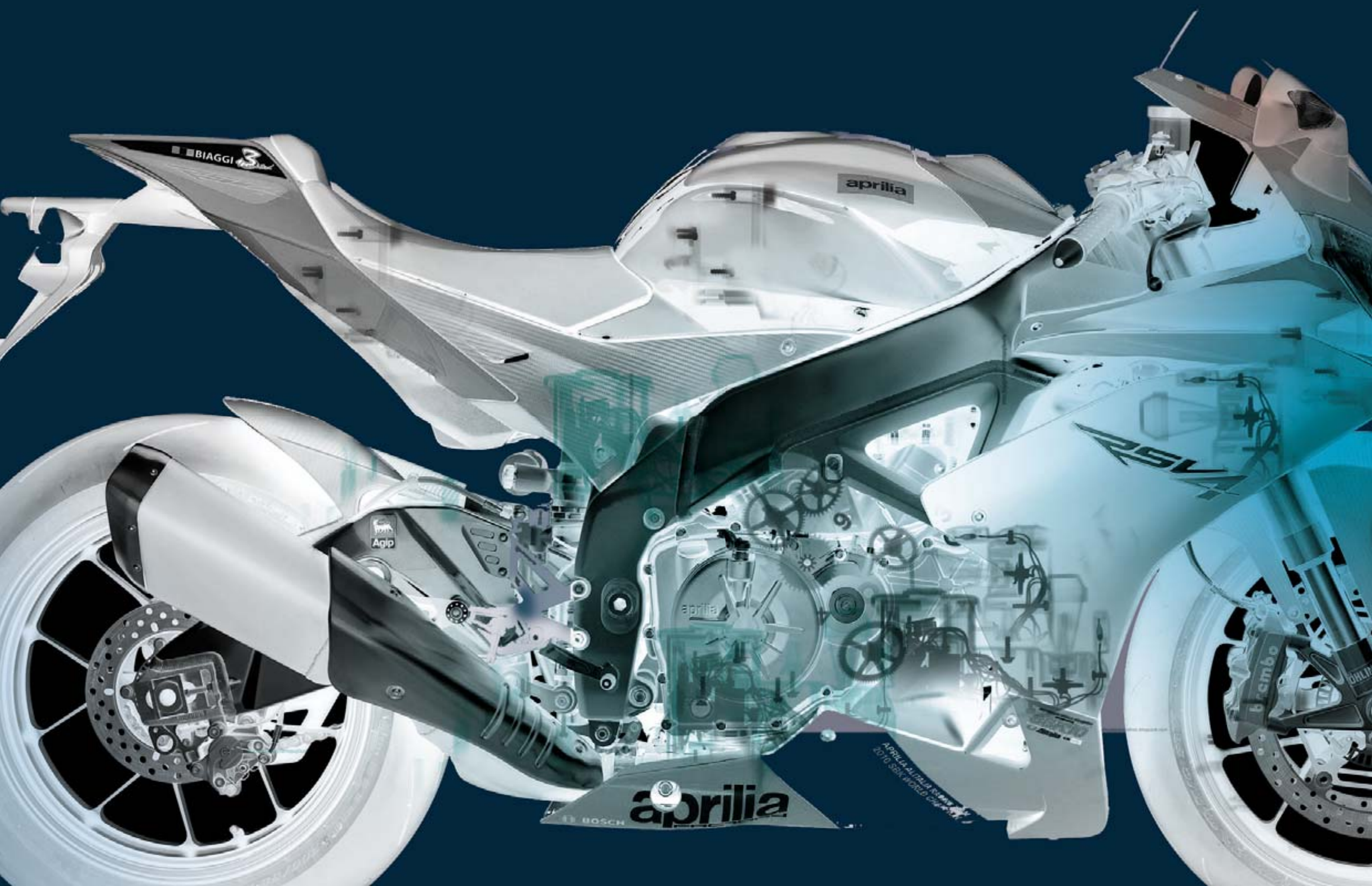
Revenues by geographic segment (%)

Sales volumes by business unit

Sales volumes by geographic segment



Vespa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The Piaggio Group

The Piaggio Group is Europe's largest manufacturer of two-wheeler motor vehicles and an international leader in its field The Group is also a major player worldwide in the commercial vehicles market.

The Piaggio Group product range includes scooters, mopeds and motorcycles from 50 to 1,200 cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheeler light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles.

The Group, with headquarters in Pontedera (Pisa, Italy), operates at an international level through production sites located in Pontedera, which manufactures two-wheeler vehicles under the Piaggio, Vespa and Gilera brands, vehicles for light transport for the European market and engines for scooters and motorcycles; in Noale and Scorzè (Venice), which produces Aprilia and Scarabeo brand two-wheeler vehicles; in Mandello del Lario (Lecco), which manufactures Moto Guzzi vehicles and engines; in Martorelles (Barcelona, Spain), which manufactures Derbi vehicles; in Baramati (in the Indian state of Maharashtra), which manufactures three and four-wheeler light transport vehicles for the Indian market; and in Vinh Phuc (Vietnam), which manufactures Vespa scooters for the local market and the ASEAN area. The Piaggio Group is also a 45% stakeholder in a joint-venture operation in China (in Foshan, in the Guangdong province) which, therefore, is not included in the Group's consolidated results.

Motorsports play a vital role for the Group's motorcycle production operations. The Group's brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, which between them have notched up 94 world championships (with 45 for Aprilia, 21 for Derbi and 14 each for Gilera and Moto Guzzi) and 507 race wins in World Motorcycle Grand Prix and Superbike Championships.

The Group serves the market with a structure based on business segments, further divided into geographical segments of operation.

Its business segments are:

- The Two-Wheeler segment, which includes scooters, mopeds and motorcycles (including accessories and spare parts), sold under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands;
- The Commercial Vehicles segment, which includes three and four-wheeler commercial vehicles (including accessories and spare parts) in the Ape, Porter and Quargo ranges.

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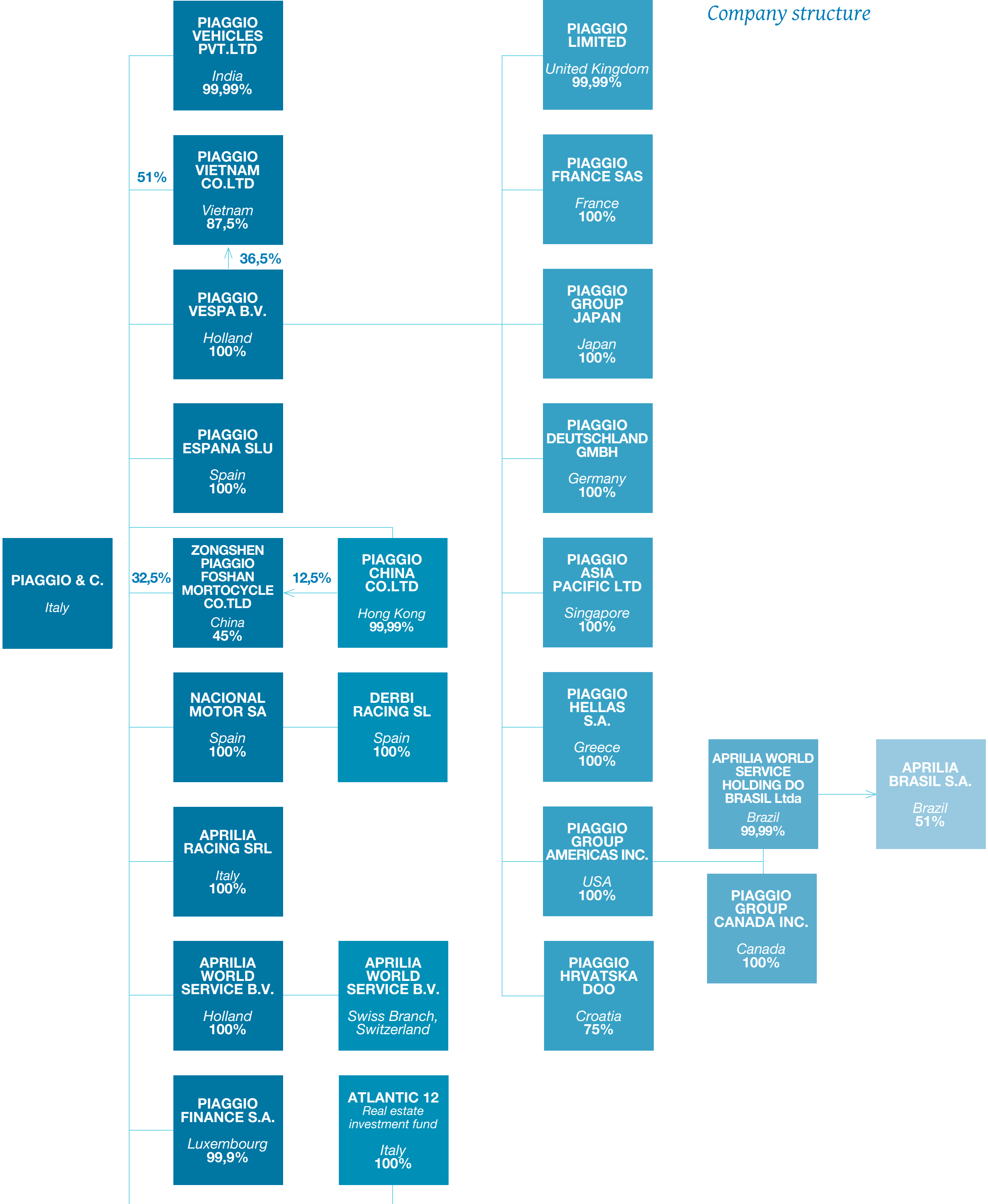
Company structure



Affiliated companies

Pont-Tech S.r.l.	held 20.44% by Piaggio & C. S.p.A.
SAT S.A.	held 20% by Piaggio Vespa B.V.
IMMSI Audit S.c.a. r.l.	held 25% by Piaggio & C. S.p.A.
Acciones Depuradora	held 22% by Nacional Motor S.A.
Mitsuba Italia S.p.A.	held 10% by Piaggio & C. S.p.A.

Company in liquidation

P&D S.p.a.	held 100% by Piaggio & C. S.p.A.
Moto Laverda S.r.l.	held 100% by Piaggio & C. S.p.A.
Piaggio Portugal Ltda	held 100% by Piaggio Vespa B.V.

During the period, the Group's corporate structure changed as a result of the following events:

› A new company Piaggio Group Canada Inc. was established on 12 March 2010. The company will operate in Canada as a selling agency of Piaggio Group Americas Inc. to promote sales of Group products on the Canadian market.
› The share capital of Derbi Racing S.L.U. was reduced on 30 June 2010.

scarabeo

Company boards

Board of Directors	
Chairman and Chief Executive Officer	Roberto Colaninno (1)
Deputy Chairman	Matteo Colaninno
Directors	Michele Colaninno (3)
	Franco Debenedetti (3), (4)
	Daniele Discepolo (2), (4), (5)
	Giorgio Magnoni
	Livio Corghi
	Luca Paravicini Crespi (3), (5)
	Riccardo Varaldo (4), (5)
	Vito Varvaro
	Andrea Paroli (6)

Board of Statutory Auditors	
Chairman	Giovanni Barbara
Statutory Auditors	Attilio Francesco Arietti
	Alessandro Lai
Alternate Auditors	Mauro Girelli
	Elena Fornara

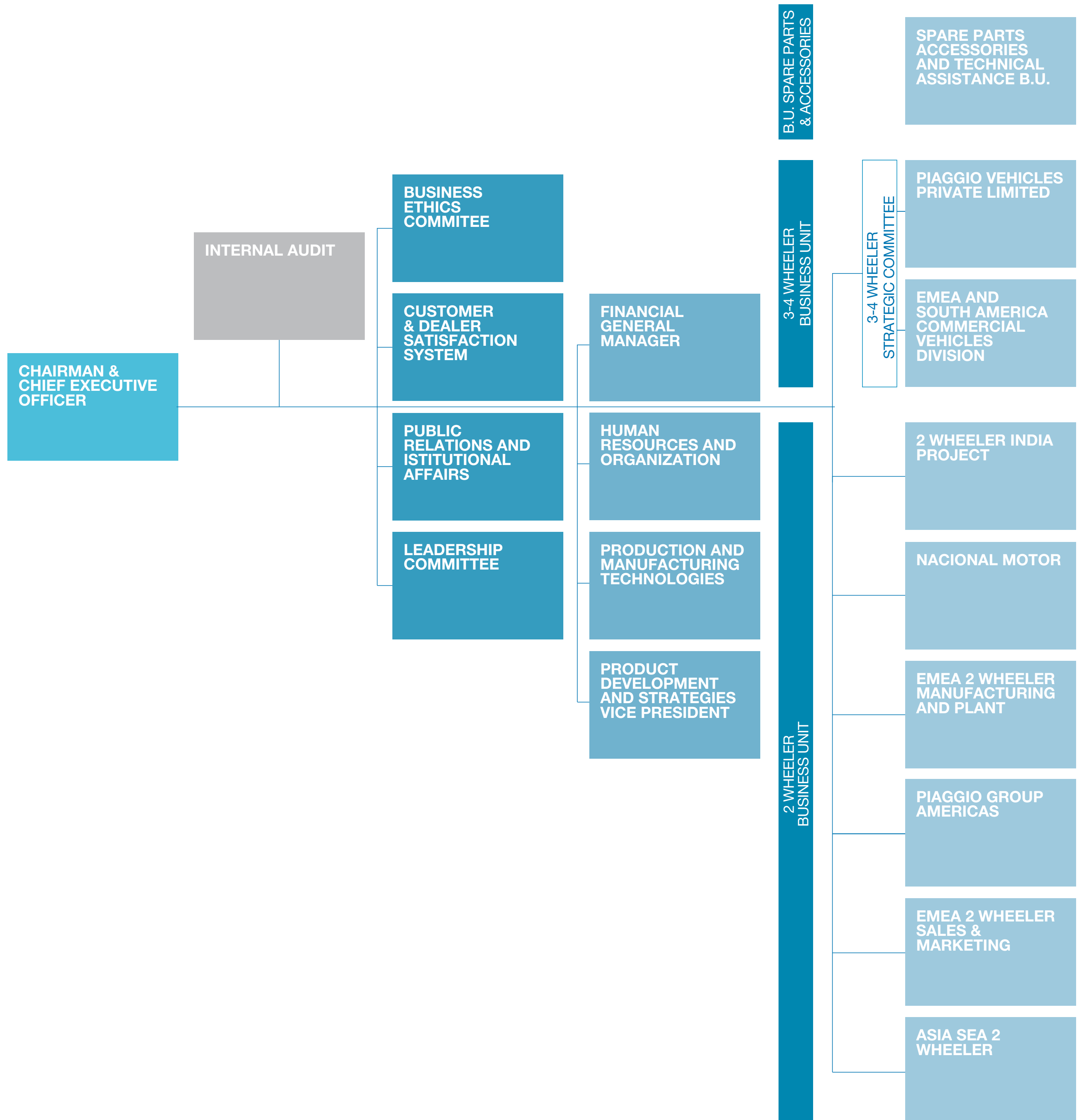
Supervisory Body	
	Antonino Parisi
	Giovanni Barbara
	Ulisse Spada

General Director of Finance	Michele Pallottini
Executive in charge of financial reporting	Alessandra Simonotto
Independent Auditors	Deloitte & Touche S.p.A.

(1) Director in charge of internal audit
(2) Lead Independent Director
(3) Member of the Appointment Proposals Committee
(4) Member of the Remuneration Committee
(5) Member of the Internal Control Committee
(6) In office since 22 September 2010

Notes: the Board of Directors appointed Maurizio Roman as General Director of Product Development and Strategies on 26 February 2010. Mr Roman stepped down from office on 13 January 2011.

Organisational structure



The structure of Piaggio & C. S.p.A.'s organisation is based on the following front-line functions:

- *Internal Audit:* this function is responsible for developing all activities concerning and functional to internal auditing, in order to improve the effectiveness and efficiency of the internal control system and evaluate its operation.
- *External Relations and Institutional Affairs:* this function is responsible for developing and managing the Group's company and business communication activities, liaising with information bodies and national and international institutions, as well as trade associations.
- *Customer & Dealer Satisfaction System:* this function is responsible for innovation projects and for developing tools for dealer & customer relationship management process management and customer care activities for reference markets. The function is also responsible for all customer & dealer satisfaction analysis and monitoring activities.
- *Product Development and Strategies Management:* this function is responsible for activities concerning innovation, product marketing, style, engineering, reliability and quality targeting scooters, motorcycles, engines and three-/four/ wheeler commercial vehicles, in order to guarantee the development of specialist, unique know-how within the Group, as well as relative racing activities.
- *Manufacturing and Production Technologies Management:* this function is responsible for guaranteeing innovation and changes to production technologies, for managing infrastructures and sites and for ensuring the development of new industrial sites worldwide.
- *Personnel and Organisation Management:* this function is responsible for human resources development and organisation, and for handling industrial relations.
- *General Finance Management:* this function is responsible for administration, finance and control (with administrative activities, finance, management control, investor relations, strategic planning and taxation reporting to it), for legal and company affairs and purchasing (purchasing of goods, services, materials and components and supplier management) logistics (distribution of two-wheeler vehicles) and information technology.
- *Asia Sea 2 Wheeler:* this function is responsible for ensuring the coordination of Piaggio Vietnam, Piaggio Pacific Asia, Piaggio Group Japan Corporation and Piaggio Group China, for the development of a product range in Asia that can guarantee the turnover, profitability and market share targets for the Group's 2-wheeler vehicle segment.
- *EMEA 2-Wheeler Sales Management:* this function is responsible for achieving sales targets established for scooters, motorcycles, spare parts and accessories, for defining price policies for single markets and identifying appropriate actions to develop the sales network, and for managing corporate sales to Major Clients and the central public administration sector at a European level.
- *Piaggio Group Americas:* this function is responsible for guaranteeing business profitability, market share, turnover and customer satisfaction for products sold in the area.
- EMEA 2-Wheeler Manufacturing and Site Management: this function is responsible for guaranteeing the manufacture and quality of engines, motorcycles and scooters.
- *Nacional Motor:* this company is responsible for managing the production of 2-Wheeler vehicles at the production site in Spain.
- *EMEA and South America Commercial Vehicles Division:* this function is responsible for guaranteeing product marketing, manufacture and distribution activities, for achieving sales targets on reference markets, for managing technical service activities and assessing new opportunities for business development.
- *Piaggio Vehicles Private Limited:* this company is responsible for guaranteeing business and industrial profitability, turnover, market share and customer satisfaction for the Group's commercial vehicles in India.
- *Spare Parts, Accessories and After-Sales Service Business Unit:* this function is responsible for managing after-sales activities, for defining the range of non-product spare parts and accessories, establishing prices in conjunction with the sales department and ensuring distribution.

Strategy and areas of development

Business strategy

The Piaggio Group aims to create value by adopting a strategy which:
› consolidates its leadership position on the European two-wheeler market and on the Indian light commercial vehicles market;
› increases its presence on international markets, with particular reference to the Asian area;
› increases the operating efficiency of all company processes, with a focus on industrial productivity.
To pursue this growth strategy, the Group has adopted an action plan covering its business segments (the Two-Wheeler and CommercialVehicles segments) and geographical segments, as described in the Group's Strategic Plan for 2010-2013 presented on 23 September 2010.

Two-wheeler segment

Europe - consolidating a leadership position: the scooter product range will be developed and improved, to consolidate coverage of each market segment, and the motorcycle range will be streamlined, to emphasise the unique features of each brand.

Asia - major development: the aim will be to create conditions for sustained, continual growth in the area, also through expanding the production site in Vietnam. The product range will be enhanced and in addition to the Vespas manufactured on site and products imported from Europe, new products manufactured in Vietnam will be introduced, designed and developed for local markets.

India - entering the market: during 2010, an investment project got underway for the manufacture and marketing of two-wheeler vehicles on the local market. By 2012, a new production site will be in operation, with a capacity of 150,000 units/year.

America - going back to growth, by consolidating the product range and sales network.

Commercial Vehicles

India - an increase in volumes and profitability, by consolidating the leadership position on the three-wheeler market and developing new, four-wheeler products. As for engines, new diesel and turbodiesel engines will be manufactured in India, in order to expand and segment the product range on all Asian and European markets.

Europe - growth based on eco-sustainable solutions, with a product range featuring new engines with zero or low environmental impact and lower emissions.

Key Assets

The Group will aim to consolidate its business position by levering and investing in the potential of its key assets:
› distinctive brands, recognised worldwide;
› an extensive sales network on reference market;
› competency in research and development, focussed on innovation, safety and the environment;
› a strong international presence, with local operations for all core company processes, from marketing to research and development, production and purchasing.

Sustainability strategy

Embracing sustainability objectives and commitments is fundamentally important for the Piaggio Group and its development. These objectives and commitments are mainly included in and strongly related to the Group's 2010-2013 Strategic Plan.

The Piaggio Group's sustainability strategy is based on areas of sustainability which are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability.
The Group's strategic objectives for Corporate Social Responsibility (CSR) are based on four areas:
› Transparency and economic value:
  • creating value while respecting business ethics;
  • timely, correct, in-depth information to stakeholders.

› Product innovation and sustainable mobility:
  • technological investments to meed the need for sustainable mobility;
  • innovation to develop products that are environmentally friendly, safe and cost-effective.

› Environmental sustainability:
  • reducing energy consumption;
  • reducing emissions of CO_2 and other pollutants;
  • conserving natural resources;
  • waste handling and recovery

› Developing human resources and the context:
  • developing, training and promoting human resources so that everyone's expectations and aspirations are met;
  • listening to and assisting customers, to establish relations based on transparency and trust;
  • working together with dealers;
  • working together with suppliers, through jointly developed projects;
  • engaging and supporting local communities through social, cultural and educational initiatives.

These areas form the basis for the sustainability objectives to be pursued in the 2010-2013 period.

The results achieved in 2010, the sustainability policy adopted by the Group and initiatives taken are presented in the Piaggio Group's Corporate Social Responsibility Report, which is issued at the same time as this Report and is available on its institutional web site www.piaggiogroup.com under Social Responsibility.

Piaggio and financial markets

Financial disclosure

Piaggio considers financial disclosure to be of fundamental importance in building a relationship of trust with market investors and the business community.
Through its Investor Relations function, the Company engages institutional and individual investors as well as financial analysts in an ongoing dialogue, producing transparent, timely and accurate information to enable them to make a fair assessment of the Group and its assets.
In 2010, numerous communication initiatives with investors and analysts took place, including:
› A Piaggio Investor Day, to present the Group's New Strategic Plan;
› Quarterly conference calls, to present financial results;
› Institutional road shows on main financial markets;
› Site visits and other one-to-one meetings with analysts and investors.

In addition, the Company's web site www.piaggiogroup.com is constantly updated with exhaustive information concerning the Group and all major corporate documentation, in both Italian and English. In particular, press releases disclosed to the market by the Press Office, the Company's periodic financial reports, the Corporate Social Responsibility Report, and the Company's business and financial performance are all published on-line, along with the material used in meetings with the financial community and corporate governance documents (articles of association, internal dealing procedures and material concerning shareholders' meetings).

During 2010, the site was reviewed by the corporate functions, to broaden its content and improve browsing, effectiveness and functionality. The prestigious Hallvarsson & Halvarsson Webranking Italy 2010, an annual survey of the best corporate web sites of companies listed on the Italian Stock Exchange, ranked the Piaggio Group's new web site fifth, earning it the title of “Best Improver 2010” for having increased its score the most compared to 2009.

The 2010 edition of this document has been given a new look. The Report on Operations has been restyled, and content added, to provide even more transparent and clearer information.

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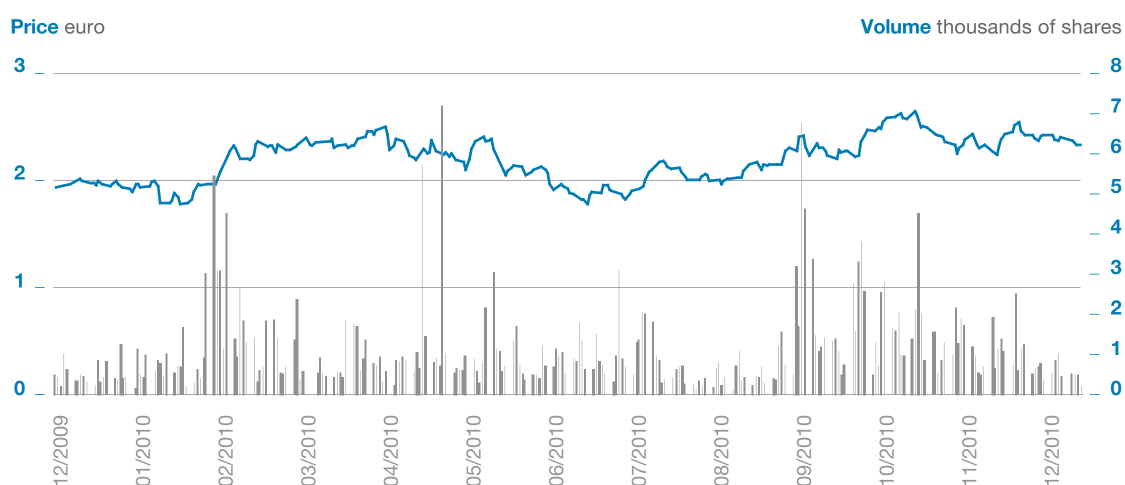
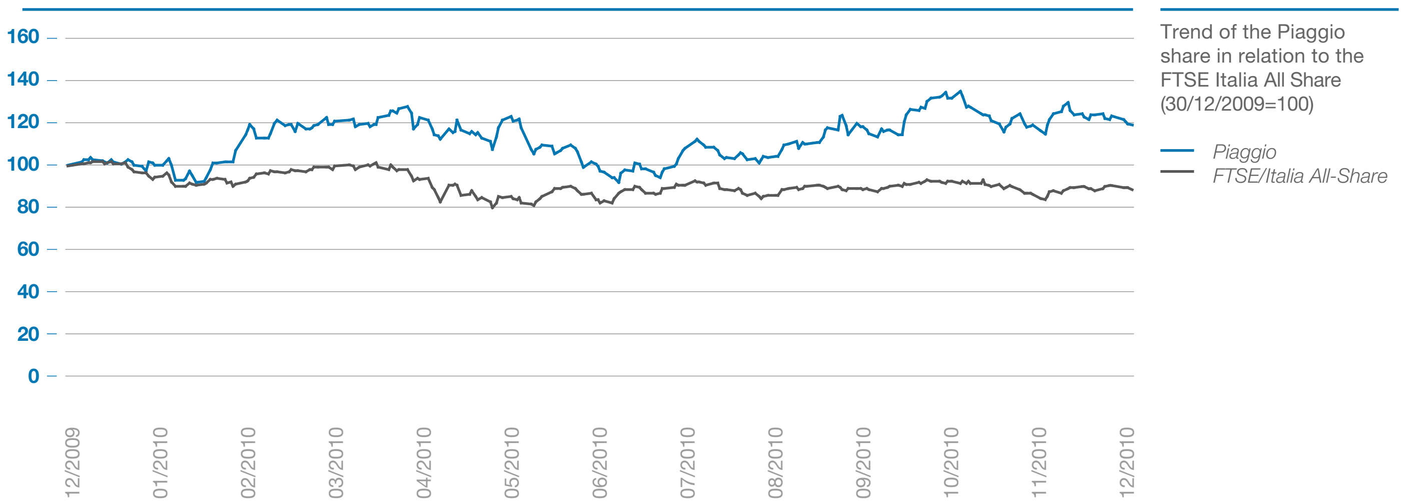
The Piaggio share

Trend of the Piaggio share and daily volumes





Trend of the Piaggio share in relation to the FTSE Italia All Share (30/12/2009=100)

Piaggio
FTSE/Italia All-Share

In a year overshadowed by a general decline on the Italian Stock Exchange (the Italia All Share FTSE index recorded a 11.5% decrease compared to the end of 2009), the Piaggio share increased its value by 19.6%, going up from 1.97 to 2.36 Euro.

Share key figures

	2010	2009
Official price per share as of 30/12 (Euro)	2.36	1.97
Number of shares (no.)	371,793,901	396,040,908
Earnings per share (Euro)		
- Basic earnings	0.113	0.125
- Diluted earnings	0.112	0.125
Shareholders' equity by share (Euro)	1.19	1.07
Market capitalisation (million euro)[1]	876.4	780.6

1_Number of outstanding shares multiplied by official price at year end

Group rating

	Current	31/12/2009
Standard & Poor's		
- Corporate	BB	BB
- Outlook	Stable	Negative
Moody's		
- Corporate	Ba2	Ba2
- Outlook	Stable	Negative

Events during the year

22 January 2010 - An agreement was signed with Enel to study mobility and charging needs for company fleets and hybrid scooters, based on a joint pilot projects to be developed in a number of Italian cities.

March 2010 - The new engine production site in India was inaugurated.

1 March 2010 - An important agreement for technical collaboration was signed with the Chinese company Dongan Power, which is part of the ChangAn-Hafei Group, one of China's leading manufacturers in the automotive industry. The purpose of the agreement is to develop petrol engines for the light commercial vehicles the Group manufactures in Italy and in India, and to focus in the future on technological developments for low/zero environmental impact hybrid and electric engines.

6 April 2010 - A decree approved by the Government Cabinet on 19 March 2010 came into force. This law has allocated a 12 million euro fund for schemes to replace old Euro 0 or Euro 1 mopeds and motorcycles with new Euro 3 models with a maximum engine capacity of 40 cc or maximum power of 70 kW.

16 April 2010 - Pursuant to article 2386 of the Italian Civil Code, the General Meeting of Shareholders of Piaggio & C. appointed Livio Corghi as Board Director.

16 April 2010 - The General Meeting of Shareholders of Piaggio & C, as motioned by the Board of Directors on 26 February 2010, resolved to amend the 2007-2009 Stock Option Plan, to which a maximum of 3,300,000 treasury shares (0.83% of the share capital) will be allocated.

16 April 2010 - The General Meeting of Shareholders of Piaggio & C, resolved to annul 24,247,007 treasury shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital, as motioned by the Board of Directors on 26 February 2010. As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C. S.p.A, unchanged and equal to 205,941,272.16 Euro, is divided into 371,793,901 ordinary shares.

16 April 2010 - The General Meeting of Shareholders of Piaggio & C. S.p.A resolved to increase share capital, against payment and divisibly, for a total maximum nominal amount of 2,891,410.20 Euro, in addition to 6,673,309.80 Euro as a share premium, excluding option rights pursuant to article 2441, paragraphs 5 and 8 of the Italian Civil Code and article 134 of Legislative Decree 58/1998, through the issue of 5,220,000 ordinary shares to be subscribed by 2007-2009 Stock Option Plan beneficiaries.

5 May 2010 - Moody's confirmed its Ba2 corporate rating of the Parent Company, though it upgraded the outlook from "negative" to "stable".

3 June 2010 - The Board of Directors of the Piaggio Group approved the industrial project for the construction of a new plant in India to manufacture a Vespa model specifically developed for the Indian market. The new vehicle is expected to go on sale in 2012.

14 June 2010 - The Piaggio three-wheeler scooter, the MP3, was officially presented to the Chinese market.

23 July 2010 - Two medium-term loans were undertaken with IFC-International Finance Corporation, a member of the World Bank, for a total of 30 million euro. The loans are for the subsidiary Piaggio Vehicles Private Limited (India) and Piaggio Vietnam, that will use the funds for production investments.

22 September 2010 - Pursuant to article 2386 of the Italian Civil Code, the Board of Directors of Piaggio & C. S.p.A appointed Andrea Paroli as Board Director.

23 September 2010 - The Piaggio Group's 2010-2013 Strategic Plan was presented. The Plan focuses on developing new industrial sites in India and Vietnam, consolidating the Group's commercial presence on

Asian markets through new products and creating new technologies for European and American markets. It will also target considerable growth in industrial productivity and more rigorous control procedures. As concerns products, the Plan will aim for optimised marketing strategies, significant growth in R&D productivity, new structures for product development centres, the technological development of new petrol engines with a low environmental impact and the industrial production of new diesel engines for the four-wheeler segment. As for the two-wheeler sector, the Plan will consolidate the Group's leadership position on the European market and develop a new industrial site in India for the manufacture of scooters and motorcycles from 2012 onwards, as well as develop and expand the production site in Vietnam. In the Commercial Vehicles division, the Plan will focus on consolidating the Group's leadership position in the three-wheeler segment in India and on developing its product ranges in the four-wheeler segment for the Indian and European markets.

26 September 2010 - Max Biaggi riding an Aprilia RSV4 SBK took the rider's title in the World Superbike championships.

3 October 2010 - Aprilia won the manufacturer's title in the Superbike championships, taking its total number of titles to 45.

17 October 2010 - Derbi won the manufacturer's title in the 125 cc category.

2 November 2010 - The Concept Piaggio NT3 was presented at EICMA, the International Motorcycle Exhibition held in Milan. This innovative vehicle is just 2.4 metres long, and can easily transport three people with 200cc or 300cc engines.

7 November 2010 - Marc Marquez won the 125cc rider's world championship title riding a Derbi, bringing the number of titles won by "Las Balas Rojas" to a total of twenty-one.

23 November 2010 - Standard & Poor's confirmed its BB corporate rating of the Parent Company, revising its outlook from "negative" to "stable".

Background

The macroeconomic framework

The world economy picked up in 2010 (registering a growth of between 4% and 5%), with dynamics anchored to geographical segments, inflation that was lower despite higher prices of raw materials, and a post-recession rebound in foreign trade and volatile exchange rates, also due to the financial imbalances which came to light.

While East Asia tackled the problem of achieving a social and geographic balance for its considerable growth rates also through monetary policies to control spending, renewed growth in the United States and Japan was supported by vigorous, expansive fiscal policies, with an impact on reducing public debt that will not be at all easy to deal with in the future.

Economic development in overall terms in the eurozone was limited, despite the good performance of Germany. The financial crisis of peripheral countries had a negative impact on the economic cycle and brought attention back to the possible need for economic/political governance of the eurozone.

As regards Italy, expansion has not yet allowed it to recover the 2009 deficit. The constraints of accumulated public debt (close to 120% of the GDP) have not enabled it to adopt the expansion policies put in place by core countries.

The market

Two-wheeler

After two years of decline, the international two-wheeler market (scooters and motorcycles) picked up, registering an increase of nearly 9% compared to 2009 and volumes of just over 47 million.

This strong growth is mainly due to the Indian market, up 30.5% compared to 2009, which passed the 10 million mark for the first time ever (11.3 million vehicles sold), and consolidated its second-place ranking for market size.

The People's Republic of China remains the first market worldwide, despite registering a decrease compared to 2009 (-8%), with 16 million units sold.

The Asian area, known as Asean 5, also made a major contribution to growth on the world market, registering an increase of 25.5% (13.4 million units sold). All markets in this area grew considerably compared to 2009. In particular, the Indonesian market increased by 31%, with total volumes of more than 7.6 million items, to become leader in South East Asia; the steady growth trend in Vietnam continued, with 2.7 million units sold (+19.3%); Thailand also performed well, with sales up 20.3% compared to 2009 (more than 1.8 million units sold); while the last two Asean 5 countries, the Philippines and Malaysia, increased sales volumes by 24% (768,000 units) and 5% (451,000 units) respectively.

The general trend of other Asian area countries (Singapore, Hong Kong, South Korea, Japan, Taiwan, New Zealand and Australia) confirmed the volumes of the previous year, with 1.1 million units sold. Growth on the Taiwanese market was important, with volumes going up by 13.2% (541,000 units sold) compared to 2009).

The decline on the North American market continued, with a loss of 15% and less than 500,000 vehicles sold (496,000).

South America picked up after a year's decline driven by the area's main market, Brazil, which recorded a growth of 15.1% and 1.8 million vehicles sold in 2010.

Europe, which is the reference area for the Piaggio Group's operations, continued to struggle, with sales on the two-wheeler market down 13% compared to 2009 (-12% for the motorcycle segment, and -13% for the scooter segment). In the scooter segment, sales were down in the over 50cc (-15%) range, partly penalised by the comparison with 2009 sales buoyed up by government incentives in Italy, and in the 50cc range, which registered a 12% decrease. In the motorcycle segment, sales of over 50cc models were down 11%, while the trend for 50cc models was more marked, with a 19% decline.

The scooter market

Europe

The European scooter market, with just over 1 million registered vehicles, reported a 13% decrease in sales in 2010, compared to the 1.2 million vehicles sold in 2009.
The 50cc scooter segment performed poorly, with a 12% decrease in sales, and the number of units sold falling from 591,000 in 2009 to 522,000 units in 2010.
The over 50cc scooter segment was also affected by a downturn (-15%), with 522,000 units sold against 613,000 units in 2009.
Italy is still the leading market, among main European players, with 294,000 units sold, followed by France with 210,000 units and Spain with 106,000 units, which was ahead of Germany, with sales of 89,000 units.
The Italian market decreased by 25% compared to 2009, with 389,000 vehicles registered. The 50cc segment declined by 14%, with 80,000 units sold. The over 50cc segment, without the government vehicle scrapping incentives of previous years, sold 213,000 units, down 28% over the previous year.
The French market with 210,000 vehicles decreased by 7% compared to the 226,000 vehicles sold the previous year. This negative trend was equally distributed between the 50cc and over 50cc scooter segments (both recording a decrease of 7%).
The Spanish market remained stable in 2010, with approximately 106,000 vehicles registered. In particular, the over 50cc scooter segment, which is the most important, grew by 9%, offsetting the downturn in the 50cc scooter segment (-20%). Sales were mainly concentrated in the first six months of the year, due to an increase in the VAT rate in July 2010, which led consumers to purchase vehicles prior to this date.
The German market registered a considerable decrease (-21%) with approximately 89,000 vehicles sold in 2010 compared to 113,000 in 2009. This trend was attributable to both the 50cc scooter (-22%) and over 50cc scooter (-18%) segments.
Sales on the UK market fell by 9% compared to the previous year, with approximately 29,000 vehicles registered. The decrease was more accentuated in the 50cc segment, which dropped by 12%, against a -7% decline in the over 50cc segment.

Americas

North America. The poor performance on the scooter market in North America continued in 2010, with a 9.5% decrease, and 34,000 units sold.
The decline affected both the 50cc segment and over 50cc segment, which decreased 8.8% and 10.3% respectively, compared to 2009.
In particular, the scooter market in the United States (82% of the reference area) was affected by a downturn in 2010, (-11.1%), with 27,000 vehicles sold. On the other hand, volumes on the Canadian market have stayed at the same levels as the previous year (approximately 6,100 units).

South America. The South American scooter market picked up, with approximately 729,000 units sold.
Brazil remains the most important area, including its scooter market, with 375,000 items sold in 2010, up 35% over the previous year.
Sales of scooters amounted to 336,000 Cub scooters (scooters with gears) (up 40.6% over 2009) and 39,000 automatic scooters (a stable figure compared to the previous year).
In the automatic scooter segment, models up to 125cc performed best, with 36,000 items sold (up 1% over 2009), while the over 125cc segment dropped slightly, reporting end-of-year sales of approximately 3,000 items (-5.8%).

In the Cub segment, 125cc models sold the most, accounting for nearly 188,000 units (+18.8%); The 51cc-115cc segment also performed well, with approximately 148,000 units sold.

Asia

Indonesia is the main scooter market in the Asean 5 area, with 6.7 million units sold (4 million Cub and 2.7 million automatic scooters sold) registering a 25.9% increase over 2009.

This is followed by Vietnam, which reported a 19.3% increase and 2.7 units sold, of which 1.7 million Cub and 989,000 automatic scooters, and by Thailand with a 20.2% increase over 2009 and 1.5 million units sold (897,000 Cub and 860,000 automatic scooters).

In Malaysia, sales accounted for 428,000 units, up 5% over 2009 (365,000 Cub and 63,000 automatic scooters), while the Philippines sold 402,000 units, up 22.2% over 2009 (207,000 Cub and 195,000 automatic scooters).

Vietnam. The Vietnamese market mainly concerns scooters, as sales in the motorcycle segment are not particularly significant. The two main product segments are Cub scooters (1.7 million units in 2010, up 15.2% over 2009) and automatic scooters (989,000 units, up 27.2% over 2009).

The 50cc scooter segment is not operative on this market.

In the Cub segment, 51cc to 115 cc models were the best performers, with approximately 1.6 million units sold, accounting for 90% of the entire segment.

The 51cc - 115cc range is the most important for the automatic scooter market as well, accounting for 75%, with 744,000 units sold in 2010 and an increase of 22.6%. Sales of models with other engine capacities also went up: sales of the 115cc-125cc segment increased by 41.2% (189,000 units) and of the over 125cc segment by 52% (54,500 units sold).

The motorcycle market

Europe

Sales on the European motorcycle market fell, from 657,000 units in 2009 to 578,000 units in 2010 (-12%). Significant decreases were recorded in all engine capacity segments, apart from the over 750cc segment, with 247,000 vehicle registrations, which was more or less the same as volumes of the previous year (-1%). The 50cc segment, with 52,000 vehicles, fell by 19%; The 51-125cc segment decreased by 13%, with 87,000 vehicles registered in 2010 against nearly 100,000 in 2009; lastly, the 126-750cc segment recorded the most significant loss (-22%), with 192,000 vehicles sold.

France remains the main European market with 133,000 units sold, ahead of Italy (99,000) and Germany (92,000), followed by the United Kingdom with 67,000 vehicles and Spain with 61,000.

These markets were affected however by a downturn: -16% in the United Kingdom, -14% in Italy, -8% in France and Germany and -10% in Spain (due to the VAT rate going up in July, whereas sales in the first half of 2010 increased by 18% compared to the same period in 2009).

In Italy, where sales volumes fell from 115,000 units in 2009 to 99,000 in 2010, the 51cc-125cc motorcycle subsegment was most affected, with a 19% drop in sales and approximately 8,000 units sold in 2010, as well as the 126-750cc motorcycle segment, with sales down 30%, from 55,000 units in 2009 to 38,000 units in 2010. On the other hand, sales of bigger engine motorcycles performed well, which partly offset the downturn in other segments: 2010 sales stood at 48,000 units against 45,000 in 2009 (+6%). Lastly the 50cc motorcycle segment recorded sales of 6,000 units, with a slight decrease over 2009 (-6%).

Americas

North America. The motorcycle market in North America (USA and Canada) was once again affected by a negative trend (-15.4%) with sales falling from 547,000 units in 2009 to 463,000 units in 2010.

In the United States (which accounts for 89% of this area), the motorcycle segment performed poorly in 2010 (-15.8%) recording sales of 412,000 units against 489,000 units in 2009.

The Canadian market also continued its negative trend, albeit to a lesser extent than the US (-12.2%), and closed the year with sales of 51,000 units.

South America. The South American motorcycle market topped the 2 million mark for units sold in 2010, with 70% manufactured in Brazil.
Sales of motorcycles in Brazil increased by 10.9% in 2010 compared to 2009, with 1.4 million items sold. The 126cc - 300cc segment was the best performer, with 788,000 units sold, up 21.5% over 2009. The 51cc-125cc segment was also an important player (619,000 units), however sales fell in 2010 by 0.3%. Sales in the over 300cc segment also dropped, by 7.8%, to below 30,000 units.

Asia
India is the most important motorcycle market in Asia, reaching sales figures of 8.7 million units in 2010 and accounting for a 27.2% increase.
In China, sales on the motorcycle market are estimated to be just below 8 million.
The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant. In other countries, the highest sales figures were reported in Indonesia with 648,000 units and an increase of 26% compared to 2009, followed by the Philippines with 366,000 units (+26% compared to 2009), Thailand with 73,000 units (+21%) and lastly Malaysia with just 22,000 units (+5% compared to 2009).

Commercial Vehicles

Europe
The European market for N1[2] category light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 1.5 million units sold, up 8.7% compared to 2009.
This positive trend concerned all main countries in the geographical segment: sales in Italy went up by 6.2%, from 176,000 units in 2009 to 187,000 units in 2010, in Spain by 8.8%, in France by 11.5%, in Germany by 16% and in the United Kingdom by 19.5%.

2_(source: ACEA, deliveries declared by N1 market manufacturers).

India
Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went up from 411,000 units in 2009 to 502,000 in 2010, registering a 22% increase.
Within this market, the passenger transport vehicles segment continued its growth trend, selling 408,000 units, up 23.8%, while the cargo segment reported an increase of 14.8%, with sales going up from 82,000 to 94,000 units. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and - since 2010 - with the Apé Mini. The LCV market accounted for sales of 259,000 units in 2010, up 39.2% over 2009.

The regulatory framework

Italy

The Highway Code was revised by law no. 120 of 29 July 2010. This law has introduced some new regulations concerning mopeds and motorcycles. In particular:

- riders under eighteen years of age are required to take practical lessons and a riding test to obtain a certificate to ride a moped or motorcycle. This obligation will come into force during 2011, following the issue of a specific regulation governing the riding test;
- monetary sanctions will be increased for subjects that manufacture, sell or transit with mopeds and motorcycles that exceed the speed limits of the highway code or that do not conform to specifications in the registration papers or do not have a clearly visible registration plate;
- the riding certificate will be awarded the same status as other licences to ride/drive vehicles, as concerns regulations for withdrawal, suspension or cancellation.

In the first few months of 2010, the Ministry for Economic Development introduced a number of measures to promote sales of items in different goods' categories, to encourage consumer spending and boost manufacturing. As from 15 April 2010, total funds of 12 million euros were allocated for consumers purchasing two-wheeler vehicles. These funds were used up in approximately two weeks and went towards purchasing 24,479 mopeds and motorcycles with a petrol engine and 90 hybrid/electric vehicles.
On 21 October 2010 remaining resources from the government scheme were put back into funds, with approximately 110 million euro made available. A decree issued by the Ministry ruled that these resources would be put into a single fund for all sectors.
As with the scheme in April, the autumn scheme allocated funds for purchasers of two-wheeler vehicles, giving them a discount equal to:

- 10% the cost of the vehicle (a maximum of 750 euros), for new Euro 3 motorcycles up to 400cc or with a power up to 70 kW (with a Euro 0 or Euro 1 motorcycle or scooter being scrapped at the same time);
- 20% the cost (a maximum of 1,500 euros) for electric or hybrid motorcycles (without having to scrap an old vehicle).

The 110 million euro of funds were used up in two weeks, with 4.71% (equal to approximately 4.5 million euro) used by consumers purchasing mopeds and motorcycles.

In May, the IX Committee of the Italian Chamber of Deputies invited the Piaggio Group to take part in the audition for key players of Italian industry on the "Action Plan on Urban Mobility" published by the European Commission in September 2009. The EU document proposes actions to assist local, regional and national administrations achieve the common goal of sustainable urban mobility on an environmental level.

On 30 June 2010 the scheme financed by the Ministry for the Environment based on a programme agreement with the National Association of Manufacturers of Two- and Three-wheeler Vehicles and of Parts and Accessories, ANCMA, ended. The purpose of the scheme was to encourage the purchase of motorcycles and scooters with a low or zero environmental impact.
These incentives were used by consumers purchasing mopeds and motorcycles from September 2009 onwards, for a total value of 5,112,683 euro.

In the last few months of the year, the framework for a legislative decree enacting the directive 2006/126/EC on driving licences was produced. The current framework provides for the following:

- keeping the age for obtaining a moped licence to 14 years (as is already the case in Italy);
- the possibility of riding mopeds and motorcycles up to 125cc, three-wheelers and heavy four-wheelers with a category B driving licence;
- a theory exam to be awarded a category A2 licence, which is not compulsory if the applicant already has an A1 licence. Likewise, a category A licence is not necessary if the applicant already has a category A2 licence.

The provisions are scheduled to come into force on 19 January 2013.

Europe

On 4 October 2010 a draft version of the Regulation on type approval of two- and three-wheelers and four-wheelers was presented to the European Commission. This version contains new requirements concerning safety devices and pollutant emissions. The Regulation is expected to come into force on 1 January 2013, after lengthy debate in the European Parliament and European Council.

By February 2011 the European Parliament will vote on the draft version of the Regulation setting new levels for pollutant emissions of CO_2 for light commercial vehicles, which was presented in October 2009. The draft provides for a number of important innovations, including:
- setting a CO_2 limit of 147 g/km by 2020 (this target will be confirmed in a study conducted during 2013);
- fines for CO_2 emissions which exceed limits, to be calculated based on a specific formula, set at 95 euro per g/km;
- manufacturers of electric and hybrid plug in vehicles will be given “super credits”, based on the number of vehicles they produce. These will be taken into account during environmental standard conformity assessments;
- a “safeguard clause” will be introduced in favour of manufacturers registering up to 22,000 vehicles a year in the European Union. These manufacturers may agree with the European Commission on a tailor-made emission target.

The European Commission issued a Communication to the European Parliament, European Council and Economic and Social Committee on the “European strategy on clean and energy efficient vehicles”. The document sets out a medium-/long-term strategy to develop and disseminate “green vehicles” and consolidate the leading role of European automotive and motorcycle industry in production based on clean technologies.

In its decree no. 2010-1390 of 25 November 2010, France’s Interministerial Committee for Road Safety (Comitè Interministériel Sécurité Routière, CISR) established that holders of B category licences who wish to ride mopeds or motorcycles up to 125cc or three-wheeler vehicles must attend a 7-hour training course as from 1 January 2011. Persons who can prove they have ridden one of these vehicles in the five years preceding 1 January 2011 (even for one day) are exempt from this requirement. This proof will be in the form of a statement issued by the rider’s insurance company.

Spain reviewed its vehicle registration tax system, applying an additional percentage based on CO_2 emission levels.

USA

The US Environmental Protection Agency (EPA) gave the go ahead for the amount of bio-ethanol in petrol used by cars and light transport vehicles manufactured from 2001 to 2006 to be increased. In October 2010, the Agency, which had already approved an equivalent increase for vehicles manufactured from 2007 onwards, decided to extend the use of E15 (the fuel mix comprising 15% ethanol) to light vehicles as well, manufactured from 2001 onwards. At present, this approval does not concern motorcycles, heavy and off-road vehicles, which cannot use E15 until validated by scientific tests.

India

As a standard practice, India adopts its own emission levels for cars and two-stroke, four-wheeler commercial vehicles. These new limits on pollution have been adopted by the 11 biggest cities - Delhi, Mumbai, Chennai, Kolkata, Bengaluru, Hyderabat, Ahmadabad, Pune, Surat, Kanpun and Agra - and will be extended to the rest of the country over the next four to five years.

Thus new Bharat IV limits (equivalent to Euro IV) came into force in the 11 cities in April 2010, while Bharat Stage III limits (equivalent to Euro III) became mandatory in the rest of the country.

The introduction of Bharat Stage IV limits was flanked by requirements for on board diagnostics for cars and four-wheeler light commercial vehicles.
The introduction of new limits at different times does not apply for two- and three-wheelers, with Bharat Stage III limits coming into force in April.

Vietnam

On 6 September 2010, the Vietnamese Ministry of Transport ruled that from 19 May 2013 a new regulation will apply to two-wheelers, introducing a mandatory test on evaporative emissions.

China

As from 10 July 2010, mopeds and motorcycles in China will have to conform to new standards on pollutant emissions, defined as part of the XI Five-Year Plan for Environmental Protection (Standard China stage III) which are equivalent to Euro 3 regulations.

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Financial position and performance of the Group

Consolidated Income Statement

Sales volumes

	2010	2009	Change
In thousands of units			
Two-wheeler	395.0	410.3	(15.3)
Commercial Vehicles	233.4	197.4	36.1
Total vehicles	**628.4**	**607.7**	**20.7**

Net revenues

	2010	2009	Change
in millions of Euro			
Two-wheeler	988.1	1,065.4	(77.3)
Commercial Vehicles	497.3	421.5	75.8
Total net revenues	**1,485.4**	**1,486.9**	**(1.5)**

EBITDA

	2010	2009	Change
in millions of Euro			
EBITDA	**197.1**	**200.8**	**(3.7)**

EBIT

	2010	2009	Change
in millions of Euro			
EBIT	**111.1**	**104.4**	**6.7**

Net income

	2010	2009	Change
in millions of Euro			
Net income	**42.8**	**47.4**	**(4.6)**

During 2010, the Piaggio Group sold 628,400 vehicles worldwide, registering a growth of 3.4% in volume over the previous year (607,700 units sold). This increase is the result of different business trends in the *Two-wheeler* and *Commercial vehicles* segments. The *Two-wheeler* segment was affected by a downturn compared to 2009, with the total number of vehicles sold equal to 395,000 (-3.7%), while the *Commercial vehicles* segment performed extremely well compared to the previous year (233,400 units, +18.3%).

The performance of the *Two-wheeler* segment took place in a particularly complex market context and competitive scenario, at least as concerns the European and American markets. In particular, the EMEA two-wheeler market declined by approximately 12.8% (13.2% for scooters and 12.1% for motorcycles), while the US market registered a decrease of approximately 15.8% (9.6% for scooters and 16.1% for motorcycles). The negative trend of the EMEA reference market was accentuated in 2010 by the fact that the government funds provided for most of 2009 in Italy were no longer available. Within the EMEA

area, the Piaggio Group maintained its 20% share, in line with the previous year, while in the USA, its share fell, particularly on the scooter market (from 30.9% to 27.1%). On the two-wheeler market, its share remained at 2.1%, in line with 2009. On the Asian market, the Group's performance was positive (59,500 units, +60.4% compared to 2009), due in particular to the success of the Vietnamese subsidiary, where production got underway at its site in June 2009.

The *Commercial vehicles* business performed particularly well on the Indian market, where the subsidiary Piaggio Vehicles Private Limited sold more than 200,000 units, and with a total of 219,600 units it increased its excellent sales figure of the previous year by 20.9%.

In terms of consolidated turnover, the Group ended 2010 with net revenues basically in line with 2009 figures, equal to 1,485.4 million euro (-0.1%). In particular, the *Two-wheeler* segment was affected by a downturn compared to the previous year, with a total turnover of 988.1 million euro (-7.3%), while the *Commercial vehicles* business performed excellently compared to the previous year, with a turnover of approximately 500 million euro (497.3 million euro, +18.0%). Although turnover was more or less the same as 2009, the composition changed considerably. In particular, sales in the *Two-wheeler* segment fell from 71.7% of total turnover in 2009 to 66.5% of total turnover in 2010, whereas, the same parameter in the Commercial Vehicles segment rose from 28.4% in 2009 to 33.5% in 2010.

Turnover from the *Two-wheeler* segment basically reflects the trend for volumes: turnover from the EMEA and America markets fell due to a market downturn, while the growth in turnover from the Asia market reflects the increase in sales thanks to the steady rise in sales on the Vietnamese market.

Likewise, the trend for turnover from the *Commercial vehicles* business reflects the trend for volumes: the European market basically remained stable, while the excellent performance of the subsidiary Piaggio Vehicles Private Limited in terms of units sold (+20.9% compared to 2009) was reflected in turnover, thanks also to price increases and rupee/euro exchange rates. As a result, the increase in turnover in India was equal to 35.6%.

The Group's **gross industrial margin** defined as the difference between "net revenues" and "cost of sales" decreased slightly compared to the previous year. In absolute terms, the margin was equal to 462.3 million euro (4.8 million euro down compared to 2009), while in relation to net turnover, it was equal to 31.1% (31.4% in 2009). The decrease in percentage terms, due mainly to the different business mix between the *Two-wheeler* and *Commercial vehicles* businesses, described previously, remained within 0.3 percentage points, thanks to important actions taken to curb product costs.

For example, the "cost to sell" includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers. Amortisation/depreciation included in the gross industrial margin was equal to 31.7 million euro (33.0 million euro in 2009).

Operating expenses in 2010 were equal to 351.4 million euro, down by 11 million euro compared to the previous year (362.6 million euro). This figure is particularly significant as these expenses include costs relative to Piaggio Vietnam Ltd, which was operative throughout 2010, but only operative for 7 months in 2009. The trend of lower operating expenses is basically the same as that of 2009, when expenses fell by approximately 11.7 million euro compared to the previous year, and highlight the Group's constant focus on keeping costs down and maintaining high profitability levels.

For example, operating expenses include employee costs, costs for services and lease and rental costs, as well as operating costs net of operating income not included in the gross industrial margin. Operating expenses also include amortisation/depreciation not included in the gross industrial margin, amounting to 54.3 million euro (63.4 million euro in 2009).

These trends in the income statement resulted in a consolidated **EBITDA** – defined as operating income gross of amortisation/depreciation – just below the figure of the previous year, and equal to 197.1 million euro (200.8 million euro in 2009). In terms of turnover, EBITDA was equal to 13.3%, aligned with budget estimates and just below the figure of 13.5% recorded the previous year. In terms of Operating Income (**EBIT**), performance in 2010 improved compared to 2009, with a consolidated EBIT equal to 111.1 million euro, up 6.7 million euro from 2009; in relation to turnover, EBIT was equal to 7.5%, compared to 7.0% for the previous year.

The result of financial assets improved considerably compared to the previous year, with Net Charges amounting to 27.3 million euro (30.3 million euro in 2009). This improvement is mainly due to the reversal relative to the Chinese joint venture Zongshen Piaggio Foshan (5.3 million euro). The balance of financial income (borrowing costs) was negative amounting to 32.5 million euro.

Consolidated net profit stood at 42.8 million euro (2.9% of turnover), slightly down on the figure for the previous year of 47.4 million euro (3.2% of turnover). Taxes for the period were equal to 41.0 million euro, while they amounted to 26.7 million euro in 2009. The tax burden increased considerably compared to 2009, due to improved earnings before tax (83.8 million euro, + 9.7 million euro), and because of lower net deferred tax assets compared to 2009.

Consolidated statement of financial position

Consolidated statement of financial position	As of 31 December 2010	As of 31 December 2009	Change
In millions of Euro			
Net working capital	8.8	17.2	-8.4
Net tangible assets	256.8	250.4	6.3
Net intangible assets	652.6	641.3	11.4
Financial assets	0.5	0.6	-0.1
Provisions	(125.9)	(133.7)	7.8
Net capital employed	**792.8**	**775.8**	**17.1**
Consolidated net debt	349.9	352.0	-2.0
Shareholders' equity	442.9	423.8	19.1
Sources of funds	**792.8**	**775.8**	**17.1**
Minority interest capital	1.6	2.1	-0.5

Net working capital as of 31 December 2010 was equal to 8.8 million euro, generating a positive cash flow of approximately 8.4 million euro in 2010. In particular, net working capital is defined as the sum of trade receivables, inventories, trade payables and other non-trade assets and liabilities During 2010, in a particularly challenging market context, the Piaggio Group was able to maintain a balance in net working capital, thanks above all to a careful management in the collection of trade receivables, and to a major focus on inventory management and optimisation.

Plant property and equipment, comprising plant, property, machinery and industrial equipment, net of amortization quota and assets held for sale, amounted to 256.8 million euro as of 31 December 2010, with an increase of approximately 6.3 million euro compared to 31 December 2009. This increase is due to investments and depreciation which were basically aligned. Investments during 2010 in property, plant and equipment amounted to approximately 37.1 million euro, mainly concerning plant and machinery and industrial equipment, while depreciation amounted to approximately 35.9 million euro. The residual increase is mainly due to the value adjustment of balance sheet items to the exchange rate in effect at the end of the reporting period.

Intangible assets, comprising capitalised development costs, costs for patents and know-how, as well as goodwill arising from acquisitions/mergers taking place within the Group over the last few years, totalled 652.6 million euro, with an increase of approximately 11.4 million euro compared to 31 December 2009. This increase is mainly due to significant investment activities during the period, equal to approximately 59.1 million euro, targeting above all product development (40 million euro) and patent rights/know how (18.3 million euro), while amortisation was equal to approximately 50.1 million euro. As in the previous case, intangible assets increased, due to the value adjustment of balance sheet items to the exchange rate in effect at the end of the reporting period.

Financial assets, defined as the sum of "equity investments" and "other non-current financial assets" totalled 0.5 million euro, without any significant changes compared to 31 December 2009.

Funds, comprising retirement funds and employee benefits, other long term provisions, from the current portion of other long term provisions, as well as deferred tax liabilities, totalled 125.9 million euro, registering a decrease compared to 31 December 2009 (- 7.8 million euro).

As fully described in the next section on the "Consolidated Cash Flow Statement", net financial debt as of 31 December 2010 was equal to 349.9 million euro, compared to 352.0 million euro as of 31 December 2009. The improvement of approximately 2.0 million euro in net debt is mainly due to the positive trend of cash flow from operating activities, as well as management of net working capital, which enabled the self-financing of investments, as well as the distribution of dividends for an amount equal to 25.8 million euro and the purchase of treasury shares amounting to approximately 3.3 million euro.

Shareholders' equity as of 31 December 2010 amounted to 442.9 million euro, up 19.1 million euro compared to 31 December 2009.

Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement, prepared in accordance with international financial accounting standards, is presented in the "Consolidated Financial Statements and Notess as of 31 December 2010". The following is a comment relating to the summary statement shown.

Change in consolidated net debt	2010	2009	Change
In millions of Euro			
Opening consolidated net debt	**(352.0)**	**(359.7)**	**7.7**
Cash flow from operating activities (earnings+amortisation/depreciation)	128.8	143.8	(15.0)
(Increase)/reduction in working capital	8.4	(20.9)	29.3
(Increase)/reduction in net investments	(103.7)	(89.4)	(14.2)
Net change in retirement funds and other provisions	(7.8)	(3.8)	(3.9)
Change in shareholders' equity	(23.8)	(21.8)	(1.9)
Total change	**2.0**	**7.7**	**(5.7)**
Closing consolidated net debt	**(349.9)**	**(352.0)**	**2.0**

During 2010 the Piaggio Group generated **financial resources** amounting to 2.0 million euro.

Cash flow from operating activities, defined as net income minus non-monetary costs and charges, was equal to 128.8 million euro.

Working capital generated a cash flow of 8.4 million euro; in detail:
› the collection of trade receivables generated financial flows for a total of 21 million euro;
› stock management generated financial flows for a total of approximately 12.4 million euro;

- supplier payments used financial flows of approximately 1.6 million euro;
- the movement of other non-trade assets and liabilities had a negative impact on financial flows by approximately 23.4 million euro.

Investment activities involved a total of 96.2 million euro of financial resources. These investments refer to approximately 40.0 million euro for capitalised research and development expenditure, and approximately 56.2 million euro for plant, property and equipment and intangible assets.
In more detail, research and development expenditure amounted to 26.2 million euro for the *Two-wheeler* segment (scooters, motorcycles and engines) and 13.8 million euro for the *Commercial vehicles* business.
As regards plant, property and equipment and intangible assets, 21.8 million euro was dedicated to product development for the *Two-wheeler* segment, approximately 15.3 euro to product development for the *Commercial vehicles* segment, approximately 11.5 million euro to industrial activities, approximately 6.1 million euro to information technology and 1.5 million euro to other activities.

The impact on cash flow of the distribution of dividends in 2010 was equal to 25.8 million euro.

As a result of the above financial dynamics, which generated a positive cash flow of 2 million euro, the **net debt** of the Piaggio Group stood at 349.9 million euro.

Alternative non-GAAP performance measures

In accordance with CESR recommendation CESR/05-178b on alternative performance measures, in addition to IFRS financial measures, Piaggio has included other non-IFRS measures in its Report on Operations.
These are presented in order to measure the trend of the Group's operations to a better extent and should not be considered as an alternative to IFRS measures.

In particular the following alternative performance measures have been used:
- **EBITDA:** defined as operating income gross of amortisation/depreciation;
- **Gross industrial margin** defined as the difference between net revenues and the cost to sell;
- **Cost to sell:** this includes costs for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, depreciation of property, plant, equipment and industrial equipment, maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.
- **Net debt:** gross financial debt, minus cash on hand and other cash and cash equivalents, as well as other current financial receivables. These Consolidated Financial Statements include a table indicating the statement of financial position items used to determine the measure.

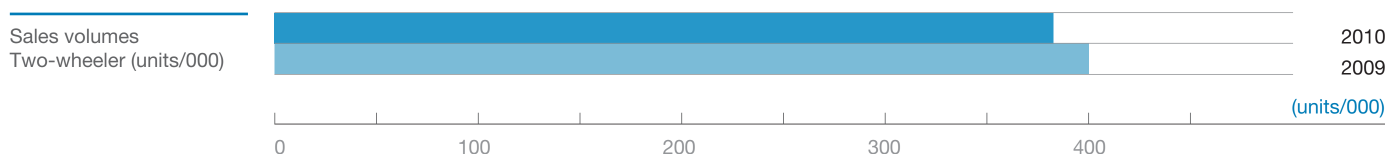
Results by operating segment

Income statement by operating segments[1]

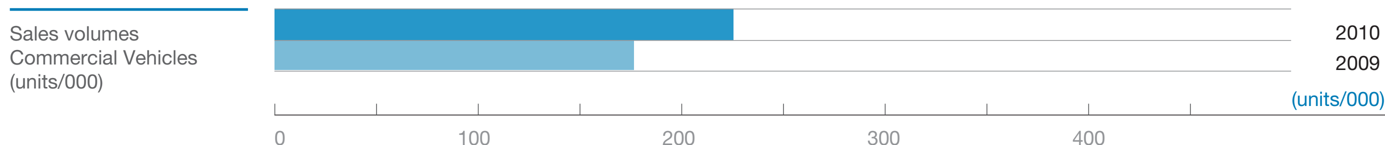
		Two-wheeler			Commercial Vehicles			Total
		Western Countries	Asia Pacific	Total	Europe	India	Total	
Sales volumes (unit/000)	2010	335.4	59.5	**395.0**	13.8	219.6	**233.4**	**628.4**
	2009	373.2	37.1	**410.3**	15.7	181.7	**197.4**	**607.7**
	Change	(37.8)	22.4	**(15.3)**	(1.9)	37.9	**36.1**	**20.7**
	Change %	-10.1%	60.5%	**-3.7%**	-11.9%	20.9%	**18.3%**	**3.4%**
Net turnover (millions of euro)	2010	854.9	133.2	**988.1**	108.4	388.9	**497.3**	**1,485.4**
	2009	981.1	84.3	**1,065.4**	134.7	286.8	**421.5**	**1,486.9**
	Change	(126.2)	48.9	**(77.3)**	(26.3)	102.1	**75.8**	**(1.5)**
	Change %	-12.9%	58.1%	**-7.3%**	-19.5%	35.6%	**18.0%**	**-0.1%**
Gross margin (millions of euro)	2010	280.9	49.8	**330.7**	26	105.6	**131.6**	**462.3**
	2009	321.6	27.3	**348.9**	35.7	82.6	**118.3**	**467.1**
	Change	(40.7)	22.5	**(18.2)**	(9.7)	23.0	**13.3**	**(4.8)**
	Change %	-12.7%	82.6%	**-5.2%**	-27.2%	27.9%	**11.3%**	**-1.0%**
Employees (no.)	As of 31.12.2010			**4,841**			**2,688**	**7,529**
	As of 31.12.2009			**4,783**			**2,517**	**7,300**
	Change			**58**			**171**	**229**
	Change %			**1.2%**			**6.8%**	**3.1%**
Investments[2] (millions of euro)	2010			**67.7**			**28.5**	**96.2**
	2009			**56.6**			**37.2**	**93.8**
	Change			**11.1**			**(8.7)**	**2.4**
	Change %			**19.6%**			**-23.4%**	**2.6%**
Research and Development[3] (million euro)	2010			**45.9**			**17.0**	**62.9**
	2009			**50.5**			**19.5**	**70.0**
	Change			**(4.6)**			**(2.5)**	**(7.1)**
	Change %			**-9.1%**			**-12.8%**	**-10.1%**

1_The above mentioned geographic distribution was adopted by the Group during approval of the 2010-2013 Strategic Plan resolved by the Board of Directors on 22 September 2010. For comparison purposes, 2009 data have been reclassified according to the new organisational logic.
2_Total investments in property, plant and equipment and intangible assets.
3_The item Research and Development includes investments recognised in the statement of financial position and costs recognised in profit or loss.

Sales volumes Two-wheeler (units/000)



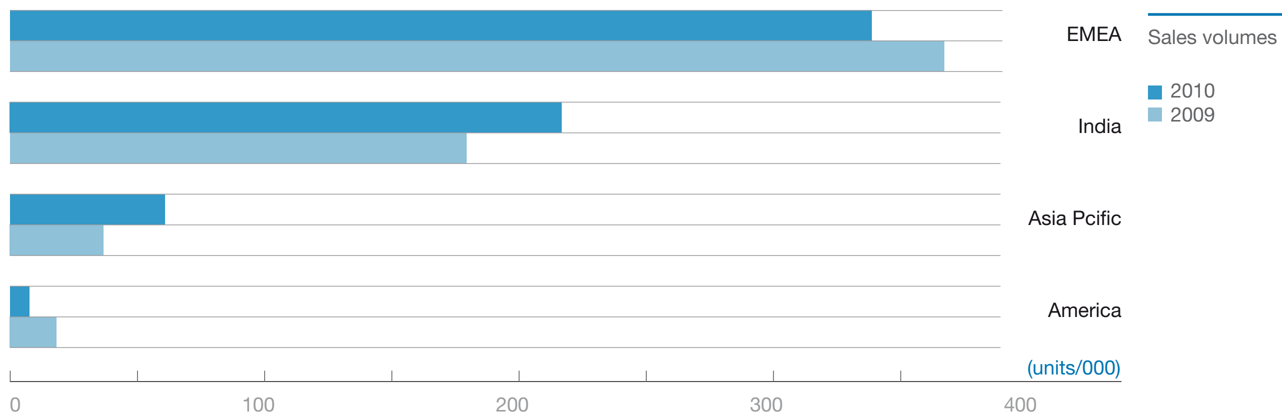
Sales volumes Commercial Vehicles (units/000)



Main data by geographical segment

		EMEA	of which Italy	America	India	Asia Pacific	Total
Sales volumes (units/000)	2010	342.5	*118.5*	6.7	219.6	59.5	**628.4**
	2009	370.5	*153.1*	18.4	181.7	37.1	**607.7**
	Change	(28.0)	*(34.5)*	(11.7)	37.9	22.4	**20.7**
	Change %	-7.6%	*-22.6%*	-63.4%	20.9%	60.5%	**3.4%**
Turnover (million euro)	2010	938.9	*368.6*	24.4	388.9	133.2	**1,485.4**
	2009	1,054.5	*471.7*	61.3	286.8	84.3	**1,486.9**
	Change	(115.6)	*(103.1)*	(36.9)	102.1	48.9	**(1.5)**
	Change %	-11.0%	*-21.9%*	-60.2%	35.6%	58.0%	**-0.1%**
Employees (units)	As of 31.12.2010	4,570	*4,111*	50	2,400	509	**7,529**
	As of 31.12.2009	4,666	*4,131*	64	2,126	444	**7,300**
	Change	(96)	*(20)*	(14)	274	65	**229**
	Change %	-2.1%	*-0.5%*	-21.9%	12.9%	14.6%	**3.1%**
Investments (million euro)	2010	72.3	*71.4*	0.1	18.2	5.6	**96.2**
	2009	61.4	*59.1*	0.1	27.7	4.6	**93.8**
	Change	10.9	*12.3*	-	(9.5)	1.0	**2.4**
	Change %	17.7%	*20.8%*	-	-34.3%	21.7%	**2.6%**
Research and Development (million euro)	2010	46.1	*46.1*	-	15.2	1.5	**62.9**
	2009	56.1	*56.1*	-	12.4	1.5	**70.0**
	Change	(10.0)	*(10.0)*	-	2.8	-	**(7.1)**
	Change %	-17.8%	*-17.8%*	-	22.6%	-	**-10.1%**

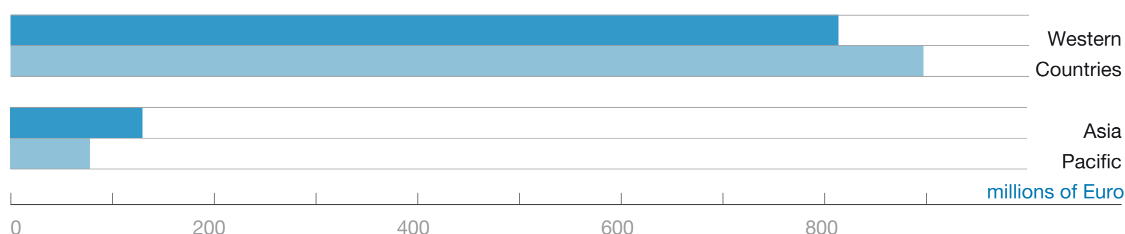
Sales volumes



Two-wheeler

	2010		2009		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million euro)	Volumes Sell in (units/000)	Turnover (th)	Volumes	Turnover	Volumes	Turnover
Western Countries	335.4	854.9	373.2	981.1	-10.1%	-12.9%	(37.8)	(126.2)
of which EMEA	329.1	831.7	355.0	920.4	-7.3%	-9.6%	(25.8)	(88.7)
(of which Italy)	*110.1*	*298.2*	*142.2*	*373.6*	*-22.6%*	*-20.2%*	*(32.1)*	*(75.3)*
of which America	6.3	23.2	18.2	60.7	-65.5%	-61.9%	(12.0)	(37.5)
Asia Pacific	59.5	133.2	37.1	84.3	60.5%	58.1%	22.5	48.9
Total	**395.0**	**988.1**	**410.3**	**1,065.4**	**-3.7%**	**-7.3%**	**(15.3)**	**(77.3)**
Scooters	355.1	708.1	369.0	758.1	-3.8%	-6.6%	(13.9)	(50.0)
Motorcycles	39.9	138.6	41.3	158.2	-3.4%	-12.4%	(1.4)	(19.6)
Spare parts and accessories		138.4		144.9		-4.5%		(6.5)
Other		3.0		4.2		-27.6%		(1.2)
Total	**395.0**	**988.1**	**410.3**	**1,065.4**	**-3.7%**	**-7.3%**	**(15.3)**	**(77.3)**

2-Wheeler revenues



The Two-wheeler business mainly comprises two product segments: scooters and motorcycles, in addition to the related spare parts and accessories business, the sale of engines to third parties, involvement in main two-wheeler sports championships and technical service.

The world two-wheeler market comprises two macroareas, which clearly differ in terms of characteristics and scale of demand: economically advanced countries (Europe, United States, Japan) and emerging nations (Pacific Asia, China, India, Latin America).
In the first macroarea, which is a minority segment in terms of volumes, the Piaggio Group has a historical presence, with scooters meeting the need for mobility in urban areas and motorcycles for recreational purposes.
In the second macroarea, which in terms of sales, accounts for most of the world market and is the Group's target for expanding operations, two-wheelers are the primary mode of transport.

Reference market and positioning

In 2010, volumes on the world two-wheeler market (scooters and motorcycles) were just under 47 million units.
The People's Republic of China remains the leading market with 16 million units sold, followed by the Indian market, which exceeded the 10 million mark for the first time ever (11.3 million units sold).
Asian countries made a significant contribution to the world market in terms of units sold. The most important included the Indonesian market with total volumes of more than 7.6 million items, and leader in South East Asia, followed by Vietnam, recording a steady growth and 2.7 million units sold, and Thailand with more than 1.8 million units sold.
In these areas (China, India, rest of Asia) the market is generally characterised by low-cost, small engine, compact vehicles, designed for primary mobility requirements, while the premium market is slowly yet steadily gaining ground.

The negative trend on developed markets (Europe and America first and foremost) of 2009 continued in 2010.
Europe accounted for 1.6 million units sold in 2010, with a 13% decrease in sales on the two-wheeler market compared to 2009 (-12% in the motorcycle segment and -13% in the scooter segment). In the Americas, the decline in North America continued, with under 500,000 units sold, while the South American market picked up after a negative year in 2009, driven by the area's main market, Brazil, which sold 1.8 million vehicles in 2010.

In this international scenario, the Piaggio Group retained its leadership position on the European market in 2010, with a market share of approximately 20%, which is the same as 2009, thanks also to its continued leadership in the scooter segment, and increased share of the motorcycle segment.
With production at its own site in Vinh Phuc, the Group also consolidated its position on the premium market in Vietnam with successful sales of its Vespa model, and laid the foundations for future growth in other Asian area countries by forging business relations with local importers.
The Group held on to its strong position on the North American scooter market, where it has consolidated its leadership with a market share of just under 30%, and where it is committed to increasing its profile in the motorcycle segment, through the Aprilia and Moto Guzzi brands.

Brands and products

The Piaggio Group operates on the two-wheeler market with a portfolio of 7 brands that have enabled it to establish and consolidate a leadership position in Europe: Piaggio, Vespa, Gilera, Aprilia, Scarabeo, Moto Guzzi and Derbi.
The brands offer a complementary product range, so that the Group can supply the market with a fully comprehensive range to target the needs of different customer groups.

Engines for Piaggio, Vespa, Gilera, Derbi, Scarabeo and Moto Guzzi brands are designed and manufactured by the company. For Aprilia, the Group manufacture engines for the scooter segment, the 450cc and 550cc engines for off road models, the V-twin 750cc and the V-four 1,000cc.

Piaggio. With a wide range of models covering all main scooter segments, Piaggio is one of Europe's and the world's leading brands. Piaggio stands for innovative products that are safe for the rider and particularly kind to the environment. The huge success of Piaggio has been built up around the ease of use, design and outstanding functionality of its products.
In 2010, the new Beverly was added to the Piaggio range, with its Italian restyling, as well as the new Typhoon, with its new design and 4 stroke 125cc engine 4T, to sell alongside the traditional 2 stroke 50cc model.
In the last year, the Liberty and Zip proved to be best sellers, with nearly 37,000 and approximately 33,000 units sold. The Beverly also performed well, with nearly 27,000 units sold, and the MP3 range, with 20,000 units sold.

Vespa. The Vespa is the Piaggio Group's most well-known brand worldwide and has delighted growing numbers of customers since 1946. The Vespa brand is synonymous with Italian style and flair, and is often used in advertising, films and other media. The Vespa range has always featured models that have all the distinctive heritage of the brand combined with a unique design and steel body.
In 2010 four new special series of the Vespa were unveiled: the Vespa LX Touring, Vespa S College, GTS Super Sport and GTV Via Montenapoleone. In addition to this, with more than 90,000 units sold and an excellent performance in South East Asia, the Vespa LX was the Group's best-selling model worldwide in 2010.

Gilera. The Gilera brand features models in both the scooter and motorcycle segments. The brand came into being in 1909 and was acquired by the Piaggio Group in 1969. Gilera is known for its successes in racing, winning six world championship manufacturer's titles and eight world championship rider's titles. Gilera is a brand designed for a young, vibrant market and dynamic motorcyclists.

Derbi. The Derbi brand features a range of scooters from 50cc to 300cc and a range of motorcycles from 50cc to 125cc. Its customer target is young, in the 14 - 17 years age group, making it one of the biggest manufacturers in the 50cc segment. The brand has won 21 world titles, gaining a leadership position in Spain and on the 50cc and 125cc motorcycle market.
In 2010, the Sonar was unveiled - a sporting high-wheeled scooter, designed for urban mobility.

Aprilia. The Aprilia brand includes a range of scooters from 50cc to 300cc and a range of motorcycles from 50cc to 1000cc. The brand is synonymous worldwide with a sporting style thanks to its huge number of wins in leading championships, the outstanding performance of its products, their innovation and cutting-edge design.
2010 was an important year for Aprilia. As a final celebration of Max Biaggi's superb season on the RSV4 of the Alitalia team in the World Superbike Championships (manufacturer's and rider's titles), the new RSV4 Factory APRC Special Edition was unveiled, featuring an innovative electronic vehicle performance handling system APRC (Aprilia Performance Ride Control), which immediately became a benchmark for the large engine superbike sector. Other new features in the motorcycle range included the restyled Shiver 750 with better ergonomics, handling and design, and the 750cc Factory version and introduction of the 1,200cc model of the Dorsoduro.

In the scooter range, the Atlantic and Sportcity One were both restyled.

Scarabeo. The Scarabeo brand offers a wide range of scooters from 50cc to 500cc, and is the Group's premium brand, along with the Vespa. The Scarabeo brand was launched by Aprilia in 1993, and is the first brand to have introduced high-wheeled scooters in Europe.
In 2010 smaller engine models in the range (50cc and 100cc) were restyled, and the special Scarabeo "NET" series was introduced.

Moto Guzzi. The Moto Guzzi brand came into being in 1921, and is one of the most well-known motorcycle brands in Europe, with a strong brand loyalty among customers. In 1970 Moto Guzzi gained worldwide popularity when it became the motorcycle of choice of the police in Los Angeles, California. Moto Guzzis, which have always been unique with their distinctive 90° V twin cylinder engines, are perfect for touring and combine a stylish traditional design with the latest technologies in the world of motorcycles.
With the start-up of an industrial plan to renovate the historical production site at Mandello del Lario, 2010 was a fundamental year for relaunching the Moto Guzzi brand. New products introduced during the year included the Nevada Anniversario (to celebrate twenty years of the model) the new Norge GT8V, with a latest generation 1,200cc 8V engine and the new V7 Racer.

The distribution network

EMEA
In the EMEA area (Europe, the Middle East, Africa) the Piaggio Group operates directly in main European countries and through importers in other markets.
At the end of December 2010, the Piaggio Group had 3,600 dealers (direct dealers and importers) in EMEA (of which 60% in Europe) for a total of 17,900 sales outlets.
40% of these operators represented and distributed the Group brand (or several Group brands) on an exclusive basis.
Of the 17,900 sales outlets, 4,800 are in Italy, 10,500 in the rest of Europe and 2,600 in markets overseen by importers.
The process to streamline and consolidate the Group's sales network continued in 2010, with two strategic areas of focus:

1. levering and capitalising on Group synergies (based on a distribution model which is geared more towards the end customer and divided into two macroareas: urban mobility, mainly focussed on the light urban scooter and motorcycle segment, and sport & passion, targeting motorcycles and a sporting style in general).
2. consolidating the performance and quality of the distribution network through the following priority actions: improving coverage, the sales and financial performance of dealers, developing management services and tools.

Americas
In the Americas, the Piaggio Group was served by 390 active operators at the end of 2010, broken down as follows:

- 330 active dealers on the US market, with a direct commercial presence;
- 40 dealers on the Canadian market, with a direct commercial presence;
- in Latin America (LATAM) the Group is present in 22 countries with a network of 25 importers.

Following the significant market downturn in the United States (-40.8% in 2009 and -15.8% in 2010), the Group pursued an objective of consolidating and supporting the distribution network, and of streamlining internal structures to better reflect new market conditions.

In Canada, the Group's presence on the market was handled by an importer up until 2009.

The Group changed its distribution strategy from January 2010 onwards, adopting the model used in the

US and developing its own sales network in order to capitalise on the synergies it has from its presence in the US.
Overall sales to end customers in Canada amounted to 1,900 units in 2010.

In Latin America, the Group is present in 22 countries with a network of 25 importers, to whom approximately 1,900 units were sold.

Pacific Asia
In the Pacific Asia Area, the Piaggio Group has a direct commercial presence in Vietnam and for the Aprilia brand in Japan. On other markets in this area, it operates through importers.
In line with the Group's strategic objectives, which plan to expand operations in the region, the distribution network is being built up.

In Vietnam, the Group increased its importers from 4 in 2008 (when a different business model was adopted) to more than 40 dealers in 2010, and more than 80 sales outlets. The Group has aimed and is aiming to develop its network in quantitative terms, by stepping up its presence in smaller areas of the country, and in qualitative terms, with a particular focus on corporate identity.

In Japan, the Group directly manages the Aprilia network and operates through importers and dealers for other brands. In total, the distribution network in the country has 140 sales outlets.

The Group is also present in Indonesia, Taiwan, Malaysia, Thailand, Korea, Hong Kong, Singapore, the Philippines, China, Australia and New Zealand through importers.

Comment on main results and significant events of the sector

During 2010, the Piaggio Group sold a total of 395,000 units in the two-wheeler segment, worldwide, accounting for a net turnover equal to approximately 988.1 million euro (-7.3%), including spare parts and accessories (138.4 million euro, -4.5%). In 2010, the Piaggio Group reconfirmed its leadership position on the European scooter market.

As discussed in previous sections of this report, the trend of Piaggio Group operations in 2010 was strongly penalised by a falling demand on the Italian, European and North American markets. This downturn concerned both the scooter and motorcycle segments.
On the other hand, growth in the Asian area was strong compared to the previous year, with sales and turnover increasing by 60.5% and 58.1% respectively, mainly due to the success of the new production site in Vietnam.

The MP3 range and its various models (125cc, 250cc, 300cc, 400cc and 500cc) continued to be a success story in 2010 (guaranteeing the Piaggio Group an overall turnover of approximately 95 million euro, with 20,000 units sold. Likewise, the Vespa - the Piaggio Group's iconic brand in the two-wheeler sector, performed extremely well on the world market, with a turnover equal to 275 million euro, with approximately 132,000 units sold.

Turnover from the motorcycle segment was given a strong boost by the Aprilia RSV4 and thanks to the excellent results achieved in the Superbike World Championships, its different versions produced a very satisfactory turnover for the Group.

Investments

As referred to previously, investments in the Two-wheeler segment amounted to approximately 67.7 million euro during 2010. These investments mainly targeted the following areas:
› Development of new products and face lifts of existing products
› Improvements in and modernisation of current production capacity
› Implementation of new IT tools

As regards investments for Piaggio Group products in particular, significant resources were dedicated to some brands and/or products which are key to the Group's development. Main investments for European and Asian production sites (Vietnam and India), addressed the following areas:
› Development of the new 350 cc engine
› Development and launch of the new Beverly 350 cc
› Completion of the MP3 range
› Completion/renewal of the Vespa range in Europe (LX; PX)
› Initial developments to manufacture the Vespa brand in Vietnam
› Restyling of the Scarabeo range
› Restyling of the Aprilia sports motorcycle range (Tuono, RS)
› Completion of the Dorsoduro 1,200 cc
› Initial development to restyle the Moto Guzzi range (Nuova California)

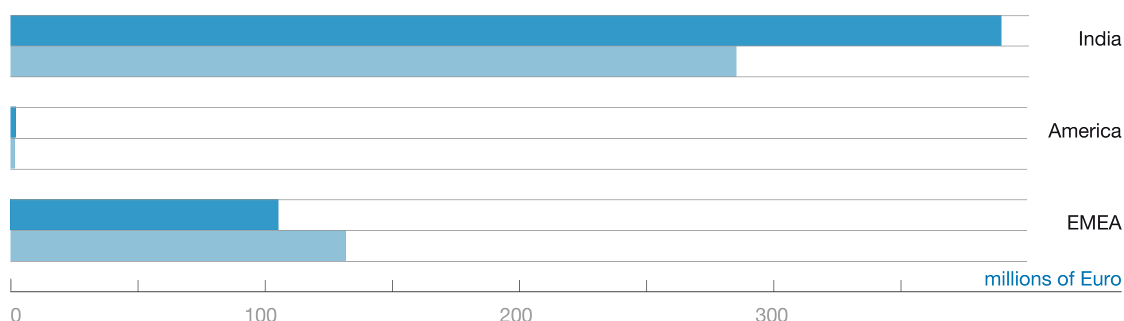
Industrial investments were also made, targeting safety, quality and the productivity of production processes. As regards common investments covering the entire Group, a new release of SAP was implemented during 2010.

Commercial Vehicles

	2010		2009		Change %		Change	
	Volumes Sell in (units/000)	Turnover (million euro)	Volumes Sell in (units/000)	Turnover (million euro)	Volumes	Turnover	Volumes	Turnover
EMEA	13.3	107.1	15.5	134.2	-14.0%	-20.1%	(2.2)	(27.0)
(of which Italy)	*8.4*	*70.3*	*10.9*	*98.1*	*-22.5%*	*-28.4%*	*(2.5)*	*(27.9)*
Americas	0.4	1.2	0.1	0.6	202.7%	122.9%	0.3	0.7
India	219.6	388.9	181.7	286.8	20.9%	35.6%	37.9	102.1
Total	**233,4**	**497,3**	**197,4**	**421,5**	**18,3%**	**18,0%**	**36,1**	**75,8**
Ape	217.7	363.6	178.8	268.6	21.7%	35.4%	38.9	95.0
Porter	5.2	55.6	7.4	80.8	-29.5%	-31.2%	(2.2)	(25.2)
Quargo/Apé Truk	10.5	36.3	11.1	34.7	-5.4%	4.7%	(0.6)	1.6
Other	0.0	0.0	0.0	0.2	-82.1%	-100.5%	0.0	(0.2)
Spare parts and Accessories		41.7		37.1		12.2%		4.5
Total	**233,4**	**497,3**	**197,4**	**421,5**	**18,3%**	**18,0%**	**36,1**	**75,8**

Revenues of commercial vehicles

2010
2009



The Commercial Vehicles business includes three- and four-wheelers with a maximum mass below 3.5 tons (category N1 in Europe) designed for commercial and private use, and related spare parts and accessories.

Reference market and positioning

The Piaggio Group operates in Europe and Indian on the light commercial vehicles market, with vehicles designed for short range mobility in urban areas (European urban centres) and suburban areas (the product range for India).

The N1 category European market accounted for 1.5 million units in 2010, up on 2009, of which 180,000 units were sold in Italy. In Europe, the Group distributes its products mainly in Italy (which accounted for 63.9% of the Group's volumes in Europe in 2010), as well as in Germany (18%), Spain (3.9%) and France (3.9%). The Group acts as operator on these markets in a niche segment (urban mobility), thanks to its range of low environmental impact products.

Sales on the Indian three-wheeler market went up from 411,000 units in 2009 to 502,000 in 2010, registering an increase of 22%.
Within this market, the passenger transport vehicles subsegment continued its growth trend, selling 408,000 units, up 23.8%, while the cargo segment reported an increase of 14.8%, with sales increasing from 82,000 to 94,000 units.
Piaggio currently holds a leadership position on this market, with a share in the three-wheeler sector of 39%, consolidated during 2010 thanks to its own position in the cargo and passenger subsegment.
The traditional three-wheeler market in India is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Apé Truk and - since 2010 - with the Apé Mini. The LCV cargo market accounted for sales of 259,000 units in 2010, up 39.2% over the same period in 2009.

Brands and products

The Ape is the Group's best-selling brand in the commercial vehicles sector. The Ape is highly regarded because of its outstanding versatility, and is the ideal solution for door-to-door deliveries and short-range mobility requirements.
The Piaggio Group range also includes the compact, robust Porter and Quargo models. Up until last year, other manufacturers supplied the engines of the Group's commercial vehicles. The Group now has a modern 1,200cc diesel engine developed and manufactured entirely at its new production site in Baramati, India.

European range vehicles are currently manufactured at production sites in Pontedera, while the range of vehicles intended for the Indian market is manufactured entirely at the production site in Baramati.

Europe
The Piaggio Group's commercial vehicles are intended for the intracity transport niche market, which means transit typically in a 40 km radius from a historic city centre.
The product range, comprising the Ape 50, Ape TM, Quargo and Porter, combines low running costs, an excellent specific load capacity and extremely easy handling, for access to areas that normal vehicles cannot reach because of their standard size, particularly in historic town and city centres. The Porter is the cutting-edge product in the range, with engines that offer numerous diesel and petrol fuel options, including environmentally-friendly models ("EcoSolution"), with petrol and petrol + LPG and petrol + methane bifuel versions, plus the Porter Electric, the first commercial vehicle - on the market since 1995. The Ape Calessino Electric Lithium, launched in 2009, also features zero emissions, and is the first ever three-wheeler with lithium batteries. The Quargo, a heavy four-wheeler, which can be driven from the age of 16 with an A1 type licence, levers important component and production process synergies with the Porter, extending the range to include intracity models designed for users who are traditionally served by the Ape 50 and TM, but need to switch to an equivalent four-wheeler vehicle.
In 2010, the process to develop a new range of Euro 5 engines was completed for the European product range. This range comprises the "MultiTech" engine (4 cylinder, 16 valve, 1,300 cc engine, available in petrol, or petrol + LPG, or petrol + methane bifuel versions) and the D120 diesel engine (2 cylinder, 8

valve, turbodiesel common rail direct injection 1,200cc engine, with EGR and DPF emission containment systems).
These new technical features mark an important turning point, as diesel fuel versions, which were not available in the past, account for more than 95% of the market of users of trucks and cab trucks (competitors of the Porter).
The new range of engines allows users to choose from four fuel alternatives (diesel, petrol, petrol + LPG, petrol + methane), in addition to the electric version. This ensures that all customer needs can be met, whether from the private domain or public fleet sector, and new trends targeting alternative fuels can be harnessed (pump price tensions, incentive campaigns).
At a vehicle level, ABS (antilock braking) and EBD (electronic brakeforce distribution) systems were added to the braking system of the Porter range in 2010. This enhanced safety factor is extremely important and greatly appreciated by customers.
As for the Porter Electric, the engine and control and drive systems were re-engineered, for more comfortable handling for typical customers (fleet operators).

India
The Piaggio Group started operating on the Indian market in 1999, through Piaggio Vehicles Private Limited, manufacturing two versions of the Apé, the Apé 501 and the Apé 601. Thanks to these products, the Group has achieved a considerable level of brand awareness over the years and developed a dealer network throughout India. It has also gained an excellent reputation for customer service, quality and style, immediately acquiring a large share of the market (in the last two years, sales volumes went up by 63.1%, from 158,900 units in 2008 to 259,291 in 2010).

In 2010, the Apé City Passenger model was introduced, with petrol, diesel, gas and methane engines. With a 275cc petrol engine version and a 395cc diesel engine version, the Apé City Passenger perfectly combines power, comfort and reliability - which are all in demand from the domestic Indian market and main export markets. The unique features make it particularly suitable for emerging countries in Africa and South America. In the 4-wheeler sector, the Apé Truk Indian range was recently added to, with the Apé Mini. Directly originating from the European range, the Apé Truk line combines an excellent load capacity/vehicle weight ratio, outstanding handling and a compact size. The new Apé Mini in particular has a 441cc diesel engine and a fuel consumption which is low on average, even reaching 29 km/l.

The distribution network

Europe
The Piaggio Group has more than 300 dealers in Europe. Development of the sales network in Europe has led to 80 dealers opening, to manage the entire product line and this has improved coverage on main European markets. This expansion has mainly concerned France, Germany and Italy, while new importers and distributors have commenced operations in Croatia, Portugal, Denmark, Poland and on other minor European markets.
Developing and improving on the sales network quality standards has been a major focus, with particular attention paid to the efficiency of the service network, standards of corporate identity, the training of salesmen and technicians and approach to customer care.
On the Italian market, the Group has 130 dealers, 70% of which act as exclusive dealers of Piaggio vehicles. The rest of the network comprises car and commercial vehicle dealers. The 130 Italian operators manage a sub-network of more than 550 sales outlets and dedicated repair centres, with the aim of providing a top level professional service which is close to end users.

India
In India, Piaggio Vehicles Private Limited has 280 primary dealers, i.e. operators that sell in more than one district, and 280 dealers that operate in a single district, as well as 250 authorised after-sales centres.
A special focus was paid in 2010 to streamlining the network, and mainly the primary network.
New distribution projects also got underway in 2010 in four Latin American countries (Mexico, Ecuador,

Colombia and Guatemala) and new contacts were made with market and institutional operators in 10 countries where the Group is not currently present. South America is a strategically important area, where the Group is aiming to seize on new business opportunities stemming from the diverse mobility needs of emerging markets, through its Indian range, and on more developed markets, through its European range. The recent introduction of new products to the Indian range, such as the Apé City Passenger, and the new Multitech engine for the European range, have been a source of added value during 2010 in approaching new business initiatives. In particular, the Apé City Passenger was and is increasingly fundamental in launching new distribution projects and consolidating existing initiatives.

Comments on main results and significant events of the sector

In 2010, the Commercial Vehicles business generated a turnover of approximately 497.3 million euro, including approximately 41.7 million euro relative to spare parts and accessories, registering an 18% increase over the previous year. The same trend also applies to units sold in the year, which amounted to 233,400 items, and an increase of 18.3%.

On the European market, the Piaggio Group sold 13,300 units in 2010, generating a net total turnover of 107.1 million euro, including spare parts and accessories for 20.6 million euro. The decrease over the previous year, equal to approximately 2,200 units and a turnover of 27 million euro, is mainly due to the fact that government incentives for sales of “eco-solution” vehicles were no longer available. Piaggio has focussed on the development of eco-friendly vehicles since 2009 and today, these account for a large part of the Porter range. The end of the government incentives was the main cause behind the fall in turnover. On the other hand, the Ape increased the number of units sold and turnover generated, compared to 2009.

On the Indian three-wheeler market, which grew by around 22% compared to the previous year, Piaggio Vehicles Private Limited continued to strengthen its role as reference player and market leader, with a share of 39%. Sales of three-wheelers went up from 171,700 units in 2009 to 210,100 units in 2010, recording an increase of 22.4%, in line with the above mentioned market growth. Detailed analysis of the market shows that Piaggio Vehicles Private Limited consolidated its role as market leader in the cargo segment. Piaggio Vehicles Private Limited reached a 61.9% share (55.9% in 2009), due above all to the Piaggio Apé 501 and numerous possibilities for customisation. Its market share also remained steady in the passenger segment, standing at 33.8% (37.3% in 2009). On the four-wheeler market, Piaggio Vehicles Private Limited sales volumes were basically the same as the previous year, with 10,000 units sold. Export performance was particularly significant, with the number of units going up from approximately 3,000 in 2009 to approximately 14,100 in 2010.

Investments

Development activities targeted India, where investments continued for development of the diesel engine production site, and works began on construction of the new site for production of the Vespa for the Indian market. As regards normal operations, works began to expand the production lines for 3-wheeler vehicles, to meet a growing demand from the market.
Product development for the European range included completion of the new range of Euro 5 engines, with the *MultiTech* version (available with petrol, petrol and LPG, or petrol and methane fuel options) and the new 1200 cc diesel version. At a vehicle level, ABS (antilock braking) and EBD (electronic brakeforce distribution) systems were added to the entire Porter range in 2010.

Events occurring after the end of the period

13 January 2011 - Davide Scotti became Manager of Piaggio Product Development and Strategies Management, replacing Maurizio Roman who left the company.

27 January 2011 - The new range of the Piaggio Porter commercial vehicles, with new Euro 5 petrol and diesel engines, was unveiled.

Risks and uncertainties

The Piaggio Group has established procedures to manage risks in areas which are most exposed.

Risks relative to the operating segment

Risks related to the macroeconomic scenario and the sector

The global economic crisis, which began in 2008, led to a significant downturn in consumption, and consequently, to a decline in demand from markets where Piaggio operates, despite measures taken by the Italian and Spanish governments to support demand in 2009 and 2010.
The continuing or exacerbated weakness of global markets, despite measures taken by Governments and monetary authorities, may compromise the strategy, prospects and financial position and performance of the Group.

To offset the negative effects of the decline in demand, the Piaggio Group has introduced innovative products on the market, to enable it to obtain higher market shares, and also adopted a flexible organisational structure which, through the use of fixed term employment contracts, can match production capacity to market requirements.

Risks related to a high level of market competition

Over the last few years, the competitiveness of sectors in which the Group operates (Two-wheeler and Commercial vehicles) has increased considerably, above all in terms of prices and also due to a declining demand worldwide.
Piaggio has tried to tackle this risk, which could have a negative impact on the financial position and performance of the Group, by manufacturing high quality products that are innovative, cost-effective, reliable, safe and have reduced emissions.

Risks related to higher energy, raw material and component costs

Production costs are exposed to the risk of fluctuating energy, raw material and component. If the Piaggio Group were not able to offset an increase in these costs against sales prices, its financial position and performance would be affected.
Up until the present, the Piaggio Group has not considered it necessary to use financial instruments to hedge the risk of fluctuating energy, raw material and component costs.

Risks related to seasonal fluctuations in operations

The Group's business is extremely seasonal. Sales of two-wheeler vehicles in particular, are concentrated in spring and summer. In addition, an extremely wet spring could lead to fewer sales of products with a negative effect on business and financial performance. The Group tackles these risks first and foremost by being present on markets, such as India and Pacific Asia, which are not affected by an extremely seasonal nature and by adopting a flexible production structure that can deal with peak demand through partial and fixed term employment contracts.

The risk relative to the regulatory reference framework

Numerous national and international laws and regulations on safety, noise levels, consumption and the emission of pollutant gases apply to Piaggio products. Strict regulations on atmospheric emissions, waste disposal, the

drainage and disposal of water and other pollutants also apply to the Group's production sites.
The enactment of regulations which are more stringent than those currently in force could lead to products being taken off the market and force manufacturers to make investments to renew product ranges and/or renovate/upgrade production sites.
To deal with these risks, the Group has always invested in research and development into innovative products that anticipate any restrictions on current regulations. Moreover, the Group, as one of the sector's leading manufacturers, is often requested to be represented on parliamentary committees appointed to discuss and formulate new laws.
In this framework, government measures in the form of incentives or tax reductions to boost demand must be taken into account. These measures, which are not easy to predict, may affect the financial position and performance of the Group to a considerable extent.

Risks relative to the Piaggio Group

Risks related to changed customer preferences

Piaggio's success depends on its ability to manufacture products that cater for consumer's tastes and can meet their needs for mobility. If the Group's products were not appreciated by customers, lower revenues would be generated, or if more aggressive sales policies were adopted in terms of discounts given, margins would be lower, with a negative impact on financial position and performance.
To tackle this risk, the Piaggio Group has always invested in major research and development projects, to enable it to optimally meet customer needs and anticipate market trends, introducing innovative products.

Risks related to the protection of trademark, licence and patent rights

The Piaggio Group legally protects its products and brands throughout the world. In some countries where the Group operates, laws do not offer certain standards of protection for intellectual property rights. This circumstance could render the measures adopted by the Group to protect itself from the unlawful use of these rights by third parties inadequate. Unlawful plagiarism by competitors could have a negative effect on sales.

Risks related to dependence on suppliers and to a global sourcing policy

In carrying out its operations, the Group sources raw materials, semifinished products and components from a number of suppliers.
Group operations are conditioned by the ability of its suppliers to guarantee the quality standards and specifications requested for products, as well as relative delivery times.
In recent years, the Group has adopted a sourcing policy that targets increased supplies from low-cost Asian countries (while maintaining the same quality standards) working through its direct presence in India and China.
The unavailability of supplied products or any supplier deficiencies concerning quality standards, specifications requested and/or delivery times, in the future, could increase supply prices, cause interruptions to and have a negative impact on the Group's operations.

Risks related to the operation of industrial sites

The Group operates through industrial sites located in Italy, Spain, India and since 2009 in Vietnam. These sites are subject to operating risks, including for example, plant breakdowns, failure to update to applicable

regulations, withdrawal of permits and licences, lack of manpower, natural disasters, sabotage, terrorist attacks or major interruptions to supplies of raw materials or components. Any interruption to production activities could have a negative impact on the operations and financial position and performance of the Group.
The operating risks related to industrial sites in Italy and other countries are managed through specific insurance cover assigned to sites based on their relative importance.

Country risk

The Piaggio Group operates in an international arena and is therefore exposed to risks connected with a high level of internationalisation, such as exposure to local economic conditions and policies, compliance with different tax systems, customs barriers or more in general the introduction of laws or regulations which are more stringent than the current regulatory framework. All these factors may have a negative impact on the financial position and performance of the Group.

Risks related to product liability and risks connected with vehicle defects

The Piaggio Group is exposed to the risk of product liability actions in countries where it operates. Although no claims for compensation which are not covered by insurance have so far been made against the Group, these claims could be made in the future, with particular reference to the use of two-wheelers in the United States. Any future payment of compensation exceeding insurance cover for product liability could have negative affects on the operations and financial position and performance of the Group.
The vehicles manufactured by the Piaggio Group, including components supplied by third parties, could have unexpected defects that require repairs under warranty, as well as costly recall campaigns. To prevent these risks, the Piaggio Group adopts a quality control system for supplied components and end products with standards that are among the highest on the market.

Risks related to litigation

As regards litigation, reference is made to the specific attachment in the Notess to the Consolidated Financial Statements.

Risks related to industrial relations

In Europe, the Piaggio Group operates in an industrial context with a strong trade union presence, and is potentially exposed to the risk of strikes and interruptions to production activities.
In the recent past, the Group was affected by major interruptions to production because of strikes.
To avoid the risk of interruptions to production activities, as far as possible, the Group bases its relations with trade union organisations on dialogue.

Risks related to the publication of financial statement data

The Group is exposed to the risk of possible inadequacies in its procedures that are intended to ensure compliance with Italian and relevant foreign regulations applicable to financial statements. To deal with the risk of non-compliance of financial statements of Group companies, the statements are audited by Independent Auditors. Moreover, the controls required by Law 262/2005 are also extended to the most important foreign subsidiaries - Piaggio Vehicles Pvt. Ltd, Piaggio Vietnam Co Ltd and Piaggio Group of America Inc.".

IT and data and information management risks

The Group is exposed to the risk of company data and information being accessed/used without authorisation, which could have a negative impact on profitability. The Group has established operating policies and technical security measures designed to afford adequate protection for company data and information. The high security standards achieved by the Group were recognised by Kuppinger Cole in May 2010, with the award for "Best Project" in the Identity Management and Cloud Computing sector.

Financial risks

Risks connected with financial debt

The Piaggio Group's sources of financing at the end of the reporting period were:
- a debenture loan for a total of 139 million euro issued by Piaggio & C. maturing on 1 December 2016 and with a coupon at a fixed rate of 7%;
- bank loans for a total of 343 million euro. The type, rates and maturities of these loans are discussed in the Notess to the Consolidated Financial Statements.

The Group also had minor loans and revocable credit lines for a total debt of 540 million euro.
The above debt situation could have a negative impact on Group operations in the future, limiting its ability to obtain additional financing or to obtain financing in unfavourable conditions.

Liquidity risk (access to the credit market)

This risk is connected with any difficult the Group could have in obtaining financing on an appropriate timescale for its operations.
The cash flows, financing requirements and liquidity of Group companies are monitored or managed centrally by the Group's Finance Management, with the aim of guaranteeing an effective and efficient management of financial resources.
To provide further hedging for the liquidity risk, the Group's Central Treasury Department has committed credit lines, as described in section 32 of the Notess to the Consolidated Financial Statements.

Exchange risks

The Piaggio Group undertakes operations in currencies other than the euro and this exposes it to the risk of fluctuating exchange rates of different currencies.

Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
The Group's policy is to hedge at least 66% of the exposure of each reference month.

Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
In 2010, the exchange risk was managed in line with the *policy* introduced in 2005, which aims to neutralise the possible negative effects of exchange rate changes on company *cash-flow*, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Interest rate risks

The Group has assets and liabilities which are sensitive to changes in interest rates and are necessary to manage liquidity and financial requirements. These assets and liabilities are subject to an interest rate risk and are hedged using derivatives.

Credit risk

The Piaggio Group is exposed to the risk of late payments of receivables. To balance this risk, the Parent Company has stipulated agreements with primary factoring companies in Italy and other countries for the sale of trade receivables without recourse.

Operating outlook

Based on its Strategic Plan presented in September 2010, the Piaggio Group will continue its strategy for industrial and business development in the Asian area and consolidation on Western markets, in 2011.

On a business level, the Group will strengthen its presence in all sectors and markets where it operates. In India, it will consolidate its leadership position on the three-wheeler light commercial vehicles market and increase sales of four-wheelers. In Pacific Asia, it will increase its share of the scooter market in Vietnam, while developing activities in the rest of the area and particularly in Indonesia, Thailand and Malaysia. In Europe and America, it will consolidate its leadership position in the scooter segment, strengthen its competitive edge on the motorcycle market and increase sales of light commercial vehicles.

On a production level, a new plant is scheduled to start up in India for the manufacture of engines. The production capacity of the site in Vietnam will be expanded, and an additional site in India for the manufacture of two-wheelers for the local market will be built. The Group will pay particular attention to industrial productivity, and to European operations, by optimising production systems.

Considerable resources will be earmarked for research and development, to continually renew product ranges on western markets and in emerging countries, with particular focus on the development of engines with a low consumption and low or zero environmental impact.

Transactions with related parties

Revenues, costs, payables and receivables as of 31 December 2010 involving parent companies, subsidiaries and affiliated companies relate to the sale of goods or services which are a part of normal operations of the Group.
Transactions are carried out at normal market values, depending on the characteristics of the goods and services provided.
The information on transactions with related parties, including information required by Consob in its communication of 28 July 2006, is given in Notes E of the Consolidated Financial Statements and Notes D of the separate Financial Statements of the Parent Company.
The procedure for transactions with related parties, pursuant to article 4 of Consob Regulation no. 17221 of 12 March 2010 as amended, approved by the Council on 30 September 2010, is published on the institutional site of the Issuer www.piaggiogroup.com, under *Governance.*

Relations with the Parent Company

Piaggio & C. S.p.A. is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code. During the period, this management and coordination concerned the following activities:

› As regards mandatory financial disclosure, and in particular the financial statements and reports on operations of the Group, IMMSI has produced a group manual containing the accounting standards adopted and options chosen for implementation, in order to give a consistent and fair view of the Consolidated Financial Statements.

› IMMSI has defined procedures and times for preparing the budget and in general the industrial plan of Group companies, as well as final management analysis to support management control activities.

› IMMSI has also provided services for the development and management of Company assets, with a view to optimising resources within the Group, and provided property consultancy services and other administrative services.

› Lastly, IMMSI has provided consultancy services and assistance for the Company and subsidiaries concerning extraordinary financing operations, organisation, strategy and coordination, as well as services intended to optimise the financial structure of the Group.

Pursuant to article 2.6.2, section 13 of the Regulation of Stock Markets organised and managed by Borsa Italiana S.p.A., the conditions as of article 37 of Consob regulation no. 16191/2007 exist.

Equity investments of members of the board of directors and members of the control committee, general directors and executives with strategic responsibilities.

Members of the board of directors and members of the control committee and general directors of the Issuer do not hold shares in the Issuer.

Piaggio and its production sites

The Piaggio Group has a strong international presence.
At its Italian headquarters in Pontedera (in the province of Pisa), the Group has set up the most important industrial complex in the European two-wheeler sector, in addition to a further two sites in Italy (at Scorzè and Mandello del Lario) and one in Spain (at Martorelles) for the manufacture of vehicles for the European market.

The Group also has its own production sites in India (at Baramati, in the state of Maharashtra) for the manufacture of commercial vehicles, and in Vietnam (at Vinh Phuc), with a site which went into production in June 2009 and manufactures two-wheeler vehicles.

The main operations taking place during 2010 concerning these sites, which aimed to develop and make production capacity more efficient, are outlined below.

Pontedera Sites

Two-wheeler sites

As part of mechanical processing activities, industrial production of new integral drive shafts for the new product range (Dorsoduro 1,200cc, 1,200cc 2V Motoguzzi, 1,000cc Aprilia Tuono) was completed, and the purchase of a new ion induction furnace for drive shafts and cam axles was finalised. The furnace will start up in the first half of 2011. Units for the processing of 350cc engine guards were set up and relative work centres were fully revised.
As part of engine assembly processes, equipment for the 1,200cc Dorsoduro engine and Vespa PX 1,200cc engine was completed, while installations for new assembly lines for 350cc and 850cc engines, to go into production in the first half of 2011, are being finalised.
Internal re-layouts for Vespa welding lines were completed, with 2 new automatic spot welding units going into operation.

Commercial Vehicles Plants

A project to replace worn robots with a new robot unit with equipped benches for welding decks for the APE TM and APE 50 and inner sill panel for the APE 50 was completed, as well as a project to replace robots in the painting department.
Equipment was also developed for the manufacture of Porter vehicles with new MultiTech 1,300cc petrol engines and BTC 1,200cc engines, which will go into production in the first half of 2011.

Scorzè Plant

A project to renovate the scooter factory roofing got underway, with works scheduled for completion in the first half of 2011.

Mandello del Lario Plant

Renovation works for the second stage of the Arrocco project were completed. Demolition works were finished and construction of the new company porter's lodge began.
The construction of a new packaging line for motorcycles commenced and will go into production in the first half of 2011.

Baramati Plant

During 2010, a new line for manufacturing engines went into production as of the Indian site. Equipment was also installed for the manufacture of the new HE engine, with mass production starting in 2011, and for mechanical processing and assembly and testing processes.
Projects for the construction of a new welding, painting and assembly plant for the Vespa India got underway.

Vinh Phuc Plant

A second scooter production line was installed and the process for assembly of the Liberty got underway, which is scheduled for mass production in the first few months of 2011.
Expansion of the Vietnamese industrial site also began, with the design of new industrial warehouses for mechanical processing and engine and spare parts assembly. Works are scheduled for the first half of 2011.

World Class Manufacturing Project

The second stage of the World Class Manufacturing (WCM) project began. After an initial and essential preliminary stage based on lean manufacturing methodologies, a more clear-cut World Class Manufacturing approach was adopted.
The Piaggio Productions System (PPS) was defined, which is the operating standard for all Group production sites. The PPS is the focus of a comprehensive innovation programme for continual improvement targeting all types of waste. KPI systems to measure improvement and audits to assist management in disseminating the PPS were defined. A training programme got underway for staff, focussing on methodologies and tools, the proper application of which is essential for improving the PPS.

Environmental, Quality and Occupational Safety certification

After Piaggio Vietnam was awarded ISO 9001:2008 certification in October 2009, the new engine plant of Piaggio Vehicles Private Limited obtained certification for its quality management system in August 2010.

In December 2010, certification to UNI EN ISO14001:2004 (environmental management system), UNI EN ISO 9001:2008 (quality management system) and BS OHSAS 18001:2007 (occupational health and safety management system) was renewed for the December 2010 / December 2013 period for the Pontedera, Noale and Scorzè sites. The Mandello del Lario site obtained the above certification for the first time.

The Spanish plant as of Martorelles also obtained ISO 9001:2008 certification in December 2010.

On 25 January 2011, the environmental management system of the Vinh Phuc site in Vietnam was certified to ISO 14001:2004.

Piaggio and research and development

Anticipating customer requirements, creating products that are innovative in terms of their technology, style and functionality, pursuing research for a better quality of life are all fields of excellence in which the Piaggio Group excels, as well as a means for measuring its leadership position on the market.
The Piaggio Group develops these areas through research and development in 5 centres in Italy, India and Vietnam.

In particular, its main goal is to satisfy the latest needs for mobility while reducing the environmental impact and consumption of its vehicles and guaranteeing an excellent performance, producing a new generation of vehicles that are:
- **environmentally-friendly**, and namely that can reduce emissions of pollutant gases and CO2 in urban areas, based on developments in traditional technologies and a greater use of renewable and sustainable energy sources;
- **reliable and safe**, to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- **recyclable,** to minimise environmental impact, even at the end of their useful life cycle;
- **cost-effective,** to reduce running costs per kilometre.

In this framework, Piaggio successfully submitted its MUSS (Safe and Sustainable Urban Mobility) project for the 2008 tender ("Industry 2015") called by the Ministry for Economic Development. This project, which effectively commenced in April 2010, targets the development of innovative solutions for environmentally-friendly urban transport which is more sustainable.
The project's Research and Development activities focus on numerous objectives:
- improving drivetrains in order to reduce consumption and emissions (injection systems, systems to optimise combustion and reduce consumption, integrated engine control systems, variable geometry systems, etc.);
- studying and developing engines powered by alternative fuels, with a lower environmental impact (biogas, hybrid and electric vehicles etc.);
- improving vehicles to increase their sustainability through the study of vehicle dynamics, a reduction of vehicle weights and traction, and life cycle management;
- the study of new vehicle layouts which are more suitable for future engines (electric, hybrid engines, etc.), and can optimise their benefits and minimise the disadvantages;
- the study and introduction of active and passive safety systems (advanced braking systems/ABS, traction control and stability, integrated electronic suspension, crash simulation and testing, vehicle and rider airbags, etc.);
- increasing thermal, acoustic and weather-related comfort as well as ergonomics (optimising human-machine interface systems and on board information systems);
- Studying and devising new safe vehicles based on entirely new product formulas such as tilting three/four-wheelers.

Piaggio's research and development is strongly focussed on two main themes: developing engines that are even more environmentally friendly and with an even better performance, and vehicles with an improved functionality and safety.

			2010			2009
	Capitalised	Expenses	Total	Capitalised	Expenses	Total
In millions of Euro						
Two-wheeler	26.2	19.6	45.9	29.6	20.9	50.5
Commercial Vehicles	13.8	3.2	17.0	17.0	2.5	19.5
Total	**40.0**	**22.8**	**62.9**	**46.6**	**23.4**	**70.0**

In 2010, the Piaggio Group continued its policy of retaining technological leadership in the sector, allocating total resources of 62.9 million euro to research and development, of which 40.0 million euro capitalised under intangible assets as development costs.

Research into engines

The design and manufacture of engines is an activity with a high technological content requiring extremely specialised resources.
Piaggio's engine research and development teams are unique in Europe, capable of developing an unrivalled range from 50 cc. to 1200 cc., 2 or 4 stroke engines, with one or more cylinders, fuelled by petrol, diesel or natural gas, with carburettor, indirect or direct injection, and with continual drive, gears or sequential transmission, suitable for mopeds, scooters, motorcycles and light transport vehicles.
Engine research mainly focuses on high-performance, environmentally friendly products.
During 2010 activities were completed for the MID2R research project on injection systems for conventional and methane engines (a spending limit of 6 million euro), funded by the Ministry of Education, Universities and Research.
The project, which focussed on direct injection petrol and bifuel (petrol and methane or LPG) engines, involved research into defining, studying, designing and producing a prototype for a liquid phase, high pressure petrol fuel and injection control system (GDI system), as well as the potential of bifuel systems for two-wheelers. In 2010 vehicle prototypes were also completed as planned, delivering satisfactory results.

Piaggio's research work into engines is targeting an ambitious project in the mid-term: The hybrid engine.
The Piaggio hybrid is a vehicle with a hybrid engine combining the benefits of petrol with electric engines. It is quick out of town, like a petrol engine vehicle, but emission-free in town and city centres with restricted traffic areas, like an electric vehicle, plus its batteries can be recharged from the mains (hybrid plug-in), out and about or at home, and even on the road. Studies culminated in 2009 with the sale of the 125 Hybrid engine.
Research into hybrid engines is continuing, having already led to the launch of the “300 cc. Hybrid” onto the market in 2010.

The Piaggio Group's research teams are also involved in studying and developing electric-only vehicles, with the aim of producing zero emission vehicles that have a high degree of autonomy. In this context, a version of the electric Liberty, for delivery applications, made its debut and will be sold during 2011.

Innovation and safety

The Group's research and development into vehicles mainly focuses on new solutions to improve customers' quality of life.
The Group's product range, including vehicles, is extensive, from scooters to light transport vehicles, from small engine motorcycles to super sports and racing bikes, from touring to custom bikes, and from small scooters to GT models.
In European cities, two-wheelers are a practical solution to individual mobility needs and can help reduce traffic congestion, while guaranteeing good levels of safety and comfort, plus considerably lower consumption and emission levels.

The Group is therefore committed at all times to improving safety systems (braking systems, suspension systems and electronic dynamics management) and to identifying new architectural solutions through new product formulas, and aerodynamic and ergonomic analysis.
Piaggio's research and development teams have recently devised highly innovative vehicle concepts, such as the revolutionary tilting three-wheeler (MP3) which is a milestone in better active safety for urban mobility vehicles. During 2010, the development of this forerunner was completed, with a new and even better version coming out.

As the Group's brands also include Aprilia, Derbi and Moto Guzzi, its research and development focuses on high performance vehicles, with cutting-edge technologies, as well as on vehicles with emotional appeal.

After the excellent final results of the European projects Aprosys (March 2009), and Safety In Motion - led by Piaggio (November 2009), three major European projects for improving road safety for motorcyclists were completed during 2010:

› Brought to a close after four and a half years of research and development, the Safespot Integrated Project focused on vehicle-to-vehicle communications and vehicle-to-infrastructure communications to increase the safety of users on the road, informing them of the risks and hazards along their chosen route. Specifically, a hardware/software architecture compatible with the SAFESPOT system was developed specifically for motorcycles. Two working prototypes were built based on the MP3 and fitted with a wireless communication system, a high-precision GPS, and human-machine interface (bluetooth helmet and special display unit). By participating in the project Piaggio accomplished two key objectives. The first was of a technical nature, with the creation of a state-of-the-art vehicle-to-vehicle communications system, representing the starting point for future developments for the market. The second was the inclusion of motorcyclists in the co-operative safety system (vehicle-to-vehicle communications), which is of great strategic-policy importance for promoting an integrated approach to improving road safety.

› After three years of activities, the Saferider (“Strep”) project, which began in January 2008 as part of the 7th Framework Programme, has resulted in the development and installation of OBIS (On-Bike Information Systems) and ARAS (Advanced Rider Assistance Systems), to improve the safety and handling conditions of motorcycles. Significant efforts were channelled into the development of the human-machine interface (HMI), involving the study and testing of various different interaction methods (visual, acoustic, haptic). The prototypes developed by Piaggio implemented an emergency calling (eCall) system, a telediagnostics module, and navigation and route guidance – an advanced system providing useful information on traffic, weather and potential dangers along the route, transmitted to motorcyclists via the acoustic-haptic interface installed in their helmets.
› The project was an important test bed for studying the feasibility of information and rider assistance systems designed specifically for motorcycles, taking into account the specific limitations and peculiarities of motorcycles and motorcyclists – such as vehicle dynamics, on-board space, ambient noise, rider behaviour and the acceptance of such systems by users.
› The project’s objectives were reached through the involvement of industry (motorcycle manufacturers and suppliers of electronic and computerised components) and the scientific community (research centres and university departments with specific expertise in motorcycles dynamics and human-machine interfaces).

› The project eSUM, approved by the Directorate General for Energy and Transport of the European Commission, involved Piaggio working with the local authorities of major European cities (Rome, Paris, London, Athens and Barcelona) on demonstrations of results achieved in other projects on safety and sustainable urban mobility (prototypes of the SIM project and hybrid vehicles). The project, which commenced in June 2008, will end in the first few months of 2011. Four MP3 125cc Hybrids (one for city riding) were provided for a minimum three-month period to be tested in everyday use by various different users (parking enforcement officers, local police officers, traffic light technicians, etc.). Strengths and areas of improvement were identified via a questionnaire for users.

Products and process optimisation

Cost and time-to-market optimisation is an important strategic objective for retaining and increasing a leadership position on the two-wheeler market. The Group’s research and development sectors use structures that can continually improve the product development process, through simultaneous engineering processes, including: 200 CAD/CAE workstations for the 3D modelling of all components and vehicle assemblies, for structural, fluid dynamics and multibody analysis and for predicting potential product criticalities and anticipating possible solutions from as early on as the design stage. Plus it uses mechanical and electrical laboratories, technological laboratories, semi-anechoic chambers for

acoustic testing, engine test benches and complete vehicle test benches.

As of article 1, sections 280 - 284 of the 2007 Budget, a tax credit is granted to resident companies that conduct *"pre-competitive industrial research and development"*. This benefit applies for costs incurred in the 2007-2008-2009 tax years.
During 2010, the Group was able to benefit from a tax credit within limits allowed by law for activities of the previous period.

Piaggio and the environment

Based on the principles in its Code of Ethics, the Piaggio Group operates on a global level "choices of investment and of industrial and commercial initiatives […] based on the respect of the environment and of public health" (article 7). In particular "In compliance with applicable regulations, the Company has respect for environmental issues in determining its choices, also adopting – where operationally and economically compatible and possible – eco-compatible technologies and methods of production, with the purpose of reducing the environmental impact of its own activities." (article 8).

The Piaggio Group firmly believes that safeguarding the environment while carrying out all Company operations is essential for mankind, technology and nature to coexist peacefully. It is convinced that commitment to sustainable development is not only a business ethic, but also an important variable of all corporate strategies. The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact.

Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive.
The environmental strategy of the Group's production sites is to streamline the use of natural resources (fuel and water), cut down on energy consumption and emissions of CO2 and other pollutants, and minimise waste originating from production.

To achieve these objectives, the Group adopts an organisational structure that defines specific responsibilities in an Environmental Management System, for all Piaggio production sites in Italy and other countries.

Within the framework of management systems, ISO 14001 certification is a useful tool allowing Piaggio to adopt a structured, coordinated approach among Group companies, to defining environmental objectives and identifying risks and opportunities for improvement. It enables it to guarantee compliance with all environmental laws and regulations, to reduce energy costs, manage waste and raw materials and put in place a process to continually improve its environmental performance.

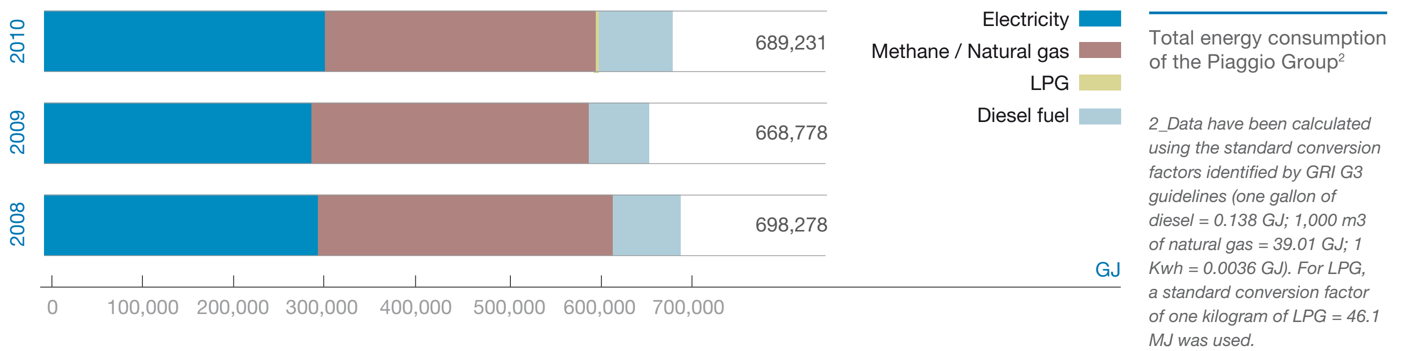
In December 2010, certification to UNI EN ISO14001:2004 (environmental management system) was renewed for the December 2010 / December 2013 period for the sites at Pontedera, Noale and Scorzè. The Mandello del Lario site obtained this certification for the first time.
On 25 January 2011, the Vinh Phuc site in Vietnam was also awarded ISO 14001:2004 certification.

During 2010, no damage was caused to the environment for which the Company was declared as being definitively liable, nor were sanctions or penalties applied for crimes to the environment or for environmental damage.
Piaggio's focus on the environmental impact of its operations is also reflected by its CSR Report, which it has published since 2008, defining its commitments and describing its performance to stakeholders. The CSR Report is therefore a means for Piaggio to disclose its environmental policy, actions taken and results achieved, with a view to continual improvement.

Main environmental performance indicators

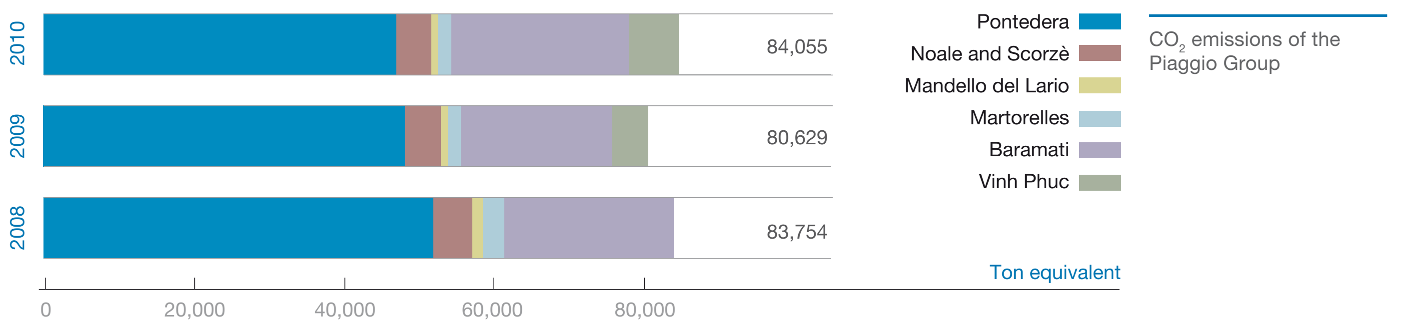
Piaggio is committed to improving the management of environmental processes, targeting lower energy consumption, less pollutant emissions and a lower production of waste and use of water, however the Piaggio Group's environmental performance in the 2008-2010 period was affected, in some instances, by anomalous trends. These anomalies were due to the combination of two opposing aspects. On the one hand, benefits were generated from the adoption of structural and technical measures for the efficient and environmentally friendly management of production sites. On the other hand, consumption increased,

due, among other factors, to the increase in production at the Baramati and Vinh Phuc sites.
As regards data on waste, compared to 2010-2009 figures, the amount of waste at most sites increased, due to the increase in production volumes and partly to contingent circumstances at individual facilities. For example, renovation works at the Mandello site included clean-up operations in large areas, parts of which were no longer operative.

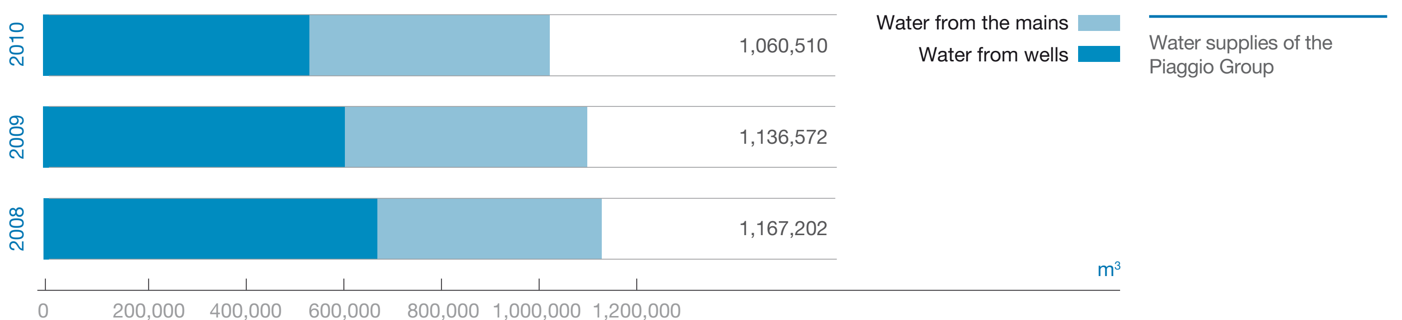


Total energy consumption of the Piaggio Group[2]

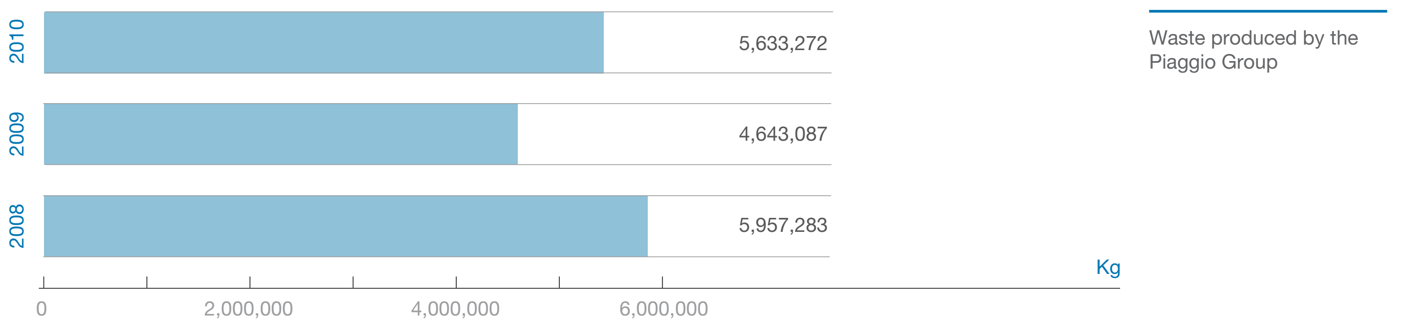
2_Data have been calculated using the standard conversion factors identified by GRI G3 guidelines (one gallon of diesel = 0.138 GJ; 1,000 m3 of natural gas = 39.01 GJ; 1 Kwh = 0.0036 GJ). For LPG, a standard conversion factor of one kilogram of LPG = 46.1 MJ was used.



CO_2 emissions of the Piaggio Group



Water supplies of the Piaggio Group



Waste produced by the Piaggio Group

Piaggio and human resources

Staff

The Group's workforce increased during 2010. As of 31 December 2010, group employees totalled 7,529, up by 229 units (3.1%) compared to 31 December 2009. This growth was mainly due to an increase in demand from the Indian market, which led the Group to expand its workforce in the country.
As regard Italy, 181 employees left the company during 2010, at a turnover rate of 4.4%.

Company employees by geographical segment as of 31 December

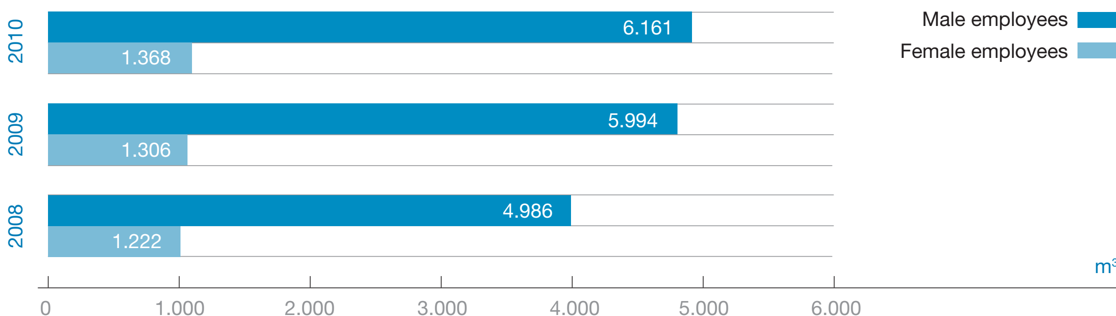
	2010	2009	2008
EMEA	4,597	4,666	4,830
(of which Italy)	*4,138*	*4,131*	*4,269*
Americas	50	64	68
India	2,400	2,126	1,205
Pacific Asia	482	444	105
Total	**7,529**	**7,300**	**6,208**

Figures on the number of employees at the end of the year are not indicative of the average number of staff, as data are affected by seasonal contract workers appointed during the summer. In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months. The average number of employees is therefore historically higher than the average number at the end of the year, with the same scope of consolidation.

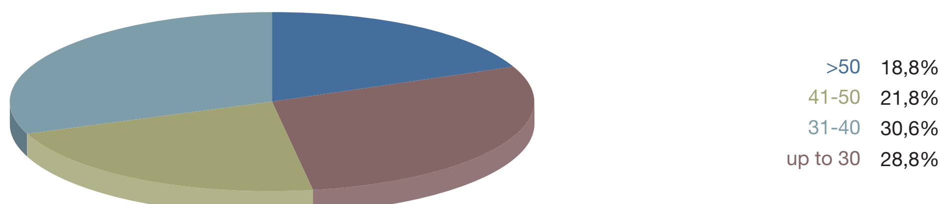
Average number of Company employees by professional category

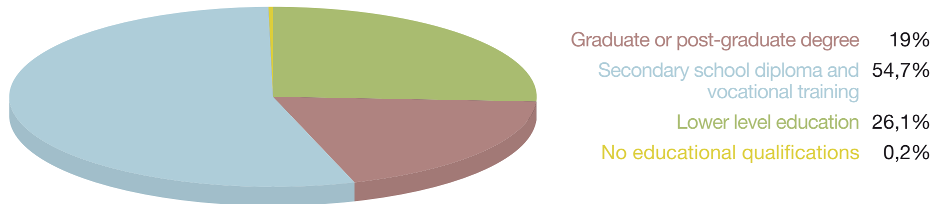
	2010	2009	2008
Senior Management	109	111	111
Middle Management	465	433	429
White collars	2,088	2,039	1,967
Manual workers	4,939	4,565	4,797
Total	**7,601**	**7,148**	**7,304**

Company employees - males and females as of 31 December



Corporate population by age at December 31, 2010





Population by educational business to December 31, 2010

Company employees by contract type and geographical segment as of 31 December

	2010		2009		2008	
	Fixed-term contract	**Open-ended contract**	**Fixed-term contract**	**Open-ended contract**	**Fixed-term contract**	**Open-ended contract**
EMEA	16	4,851	20	4,646	31	4,799
of which Italy	*13*	*4,125*	*20*	*4,111*	*27*	*4,242*
Americas	0	50	1	63	2	66
India	1,260	1,140	866	1,260	312	893
Pacific Asia	1	481	134	310	-	105
Total	**1,277**	**6,252**	**1,021**	**6,279**	**345**	**5,863**

Organisational Development: Actions in 2010

During 2010, the Piaggio Group pursued its strategy of industrial and business development in the Asian area and of consolidating its presence on western markets. To achieve these objectives, it increased exports and the dissemination of know-how, expertise and processes, leading Piaggo to differentiate its products based on the local requirements of its Customers/Markets and also guaranteeing international markets levers necessary for business development.

In particular, the most significant organisational actions in 2010 involved the following:

› a new organisational configuration for the Asia Sea 2 Wheeler function, tasked with overseeing the South East Asia Area. The new configuration defines the roles, responsibilities and processes to seize market opportunities in the area;

› detailed redefinition of the Spare Parts, Accessories and After-Sales Technical Service Business Unit, in order to improve after-sales service levels, guaranteeing high quality standards that can set the Group apart from its competitors;

› the establishment of a new organisational unit - Performance Improvement - reporting directly to Product Development and Strategies Management, to implement product development initiatives and projects worldwide, and provide analysis of cost/investment targets for new products;

› detailed redefinition of the Emerging Areas Market organisational unit, within the EMEA Two-Wheeler Sales Management, to consolidate the presence and operations of the 2-Wheeler segment in countries on this market;

› revision of the internal structures of the EMEA and South America Commercial Vehicles Division in order to expand sales targets on the European market;

› redefinition of the Personnel and Organisation Management organisation, with Corporate staff areas and Personnel Monitoring areas set up for operative sites/geographical segments and/or business lines, in order to support the Group’s international growth.

Developing human capital

The development of the core competencies required by a changing business and market is a priority for the Piaggio Group. This is why the development of people and careers are rooted in building, maintaining and developing these competencies.
To this end, the Piaggio Group has developed specific models and policies over the years for the development of human capital.

The Group's managerial competencies model

On the basis of the Group's strategic plan and in line with its core values, Piaggio has identified a managerial competencies model that represents the set of skills to be implemented day by day to ensure personal success and the success of the company.
This model is touchstone of reference for the entire Group for the development of the company culture and the growth of our people.

The Group's managerial competencies model

The Group's professional competencies model

The store of professional competencies and know-how in the Group is the true foundation and only real guarantee assuring the continuity and quality of our results. For this reason, the Piaggio Group has developed a professional competencies model which is updated and expanded in accordance with the strategic plan, and in line with changes in technology and the market.
In 2010 Piaggio conducted an in-depth review of the system, identifying professional competencies, roles and career paths.
The model identifies thirteen professional groups and their specific competencies. Development tools and training are aimed at helping people acquire the level of competence required by their role.

Reviews

Competency models form the basis for criteria used in personnel appraisal processes. On the basis of the position they hold, staff reviews focus on the following key aspects, taking into account professional growth and company objectives reached:

- managerial and professional competencies
- performance;
- potential;
- international mindset.

Employees are reviewed by comparing their competencies, as evidenced by concrete and observable action in their everyday work, with the company's competencies model. Potential is systematically assessed in young talent, managers and people earmarked to cover top management positions in the Group.

Development paths

Development tools are provided with the objective of building and continuously improving the managerial and professional competencies identified in the respective models, while at the same time bringing out people's potential and identifying and rewarding outstanding performance. The set of tools provided by the Piaggio Group includes:

- development plans, which identify the action to be taken for the growth of the employee;
- job rotation and participation in strategic or international projects;
- managerial and professional training
- Piaggio Way, the talent management programme.

Career paths

For our highest value human assets, management and professional career paths are designed in order to cover key roles and ensure that strategic and technological know-how is kept and developed in the Group at the international level.

Reward policies

The Piaggio Group adopts specific reward policies, designed to remunerate staff and their contributions based on criteria of competitiveness, fairness and meritocracy. The Group's reward system is differentiated for the various professional groups in the company, and consists of a salary component, an objective-based incentive system and benefits.

Piaggio Way

Piaggio has run a specific talent management programme for several years, to ensure the development of its resources with the most value, and to identify people within the Group that have shown they have an excellent potential, are extremely passionate about their work and have the courage to explore new avenues.
In particular, during 2010, the new Piaggio Way programme was launched in Europe, the United States and Vietnam.
The programme, which will last for a maximum of four years, will select staff classified as Young Talent and Managerial Talent, and give them the chance to take part in fast-track development programmes (job rotation, strategic and international projects, events with the involvement of top management, coaching, bespoke training).

Training

Training addresses all roles, levels of responsibility, professional groups and individuals who are motivated to improving their own professional value in keeping with the Company's development and its evolving corporate culture.
2010 was an important year for training, with 64,927 hours of training provided for the Group's entire workforce, of which 33,667 hours in Italy, compared to 15,242 hours in 2009, with a substantial increase in all segments and areas.

Hours of training by training area

Thematic area	Training hours provided in 2010
Managerial training	25,546
Technical – professional training	17,968
Language training	14,145
Safety and environmental training	7,268
Total	**64,927**

Total training hours by professional category

Professional category	Training hours provided in 2010
Senior Management	783
Middle Management	3,591
White collars	46,279
Manual workers	14,163
Project workers	111
Total	**64,927**
Total per capita	**8,6**

The priority objective of Piaggio is to continually update individual and organisational skills and bring them in line with a changing business and Company strategies and to fully disseminate behaviour focused on competitive excellence, in keeping with Piaggio's managerial and professional competency models.
In 2010, in particular, a Piaggio management course catalogue was introduced. The catalogue features training courses targeting different professional levels of the company, and formed the basis for analysing training needs for 2011.
Piaggio also values the sharing of its know-how by organising training events managed by internal trainers, with a view to encouraging the exchange of the advanced methods and knowledge developed within company, so as to promote continuing improvement.

Health and safety

Safeguarding and improving the health and safety of workers has always been integral to the Piaggio Group's operations and strategic within the framework of its more general objectives. In particular, the Group has taken concrete actions for:

- continual developments for a safer working environment: all aspects concerning the safety of the work environment and equipment and tools needed to carry out daily activities are considered, starting from defining new activities or revising existing ones;
- safer behaviour: all workers are trained, informed and familiarised, to carry out their work safely and undertake their occupational health and safety obligations; the Company achieves safety objectives through assigned duties and competencies.

To guarantee the highest standards of occupational health and safety monitoring and undertaking of responsibilities, Piaggio has established an organisational structure in Italy, which also conforms to relevant laws in force, with seven Employers appointed for Company areas and a group of managers and

designated persons, supported by Prevention and Protection Service Managers and Company Doctors. Moreover, Workers' Safety Representatives are present in all Company areas.

The Group has set high health and safety standards for Piaggio Vietnam and PVPL in India as well. with the two companies conducting an assessment of potential risks and preparing an emergency management plan. The plan covers safety standards, operating control procedures, safety/hazard signs, personnel training and continual monitoring.

During 2010, 6,200 hours of training were given to personnel on accident prevention and occupational health and safety. Specific research and training activities were also held on workplace ergonomics.
In November and December 2010, the Piaggio Group was audited by the certification company for the purposes of renewing the Group's BS 18001 (Occupational Health & Safety) certification for the next three years. The outcome of the audit was positive. Audits confirmed the Group's conformity to international BS (British Standards) and enabled it to include its Mandello del Lario plant as a certified site along with Pontedera, Noale and Scorzé.

During 2010, no deaths in the workplace or serious accidents occurred, for which the company was definitively responsible. Likewise, no charges were made concerning occupational diseases of employees or former employees or cases of mobbing, for which the company was declared as being definitively responsible.

Industrial relations

In 2010, dialogue continued between the Group and workers' representatives at a Company level, to find common solutions to the effects on workers of measures taken to meet market needs. A number of trade union agreements were signed to manage complex situations requiring the use of social shock absorbers provided for by law.
A number of trade union agreements were signed to manage complex situations requiring the use of social shock absorbers provided for by law. As regards European sites, 100% of employees are covered by collective bargaining.

Employees may freely join trade unions, according to procedures established by local regulations and the rules of various trade union organisations. In most European countries, systems exist where workers directly elect representatives. In Italy for example trade union representatives (RSU) are elected by all employees (excluding executives) from lists submitted by trade union organisations.

In Italy, the level of trade unionisation in 2010 was equal to 37.5% at Pontedera, 42.7% at Noale and Scorzè and 64.8% at Mandello del Lario. The following trade unions are active: FIOM, UILM, FIM, UGL, CGIL, CISL and UIL.

In Spain, trade union organisations are active at Nacional Motor and the Branch of Piaggio & C. S.p.A., with representatives elected by employees. The following trade unions are active: UGT, CCOO, CGT, UTIM; 33% of employees at Nacional Motor, and 27 % at the Branch are members of a trade union.

Trade union representation at a company level also exists in Vietnam and India.
At Piaggio Vietnam, an Executive Committee of Trade Unions is active, elected by employees of single production units and trade union representatives at a company level are supervised by the provincial trade union organisation of Vinh Phuc. 7 trade union representatives are active, selected during meetings at a provincial level and elected by company employees. At present, no collective company agreement is in place and the Executive Committee of Trade Unions has not undertaken any bargaining procedures.

In India (PVPL), the trade union system is based on a mixed formula with employees and non-employees. The trade union organisation has a hierarchical structure and in part comprises company employees. There are 16 trade union representatives, of which 9 (factory delegates) are appointed by employees and 7 directly

by the external structure. A company collective agreement was signed in April 2008.

Piaggio uses open-ended contracts as its reference model. Considering the difficult situation faced by global markets throughout 2010, the Company also used different types of employment contracts provided for in labour laws at its Pontedera site, so as to reconcile employment stability with flexible production management.
In this context, the Company and workers' representatives conduct an annual review mainly of the following:
› scheduled work loads and production schedules, so as to evaluate the need for different types of employment contracts, as mentioned above;
› the possibility to change fixed-term employment contracts into open-ended contracts, for a number of workers, based on production volumes and types, as well as all Company resignations and employment trends.

In 2010, negotiations also addressed the use of social safety net measures, in particular the ordinary wage guarantee fund, which proved necessary due to negative trends in the motorcycle and scooter market.

In 2010, production schedules and falling market demand for some types of product (motorcycles) and Group brands led to the application of the 'solidarity contract' at the Scorzé production site, reducing working hours for all workers there, and to the use of the extraordinary wage guarantee fund for redundant workers at the Mandello del Lario site. Dialogue with the trade unions made it possible to find solutions agreed on by all parties, with trade union agreements signed.

In accordance with the provisions of a company trade union agreement made in 2009 for the Pontedera, Rome and Milan sites, a health insurance scheme was introduced on 1 January 2011. The scheme takes into account relevant legislative and fiscal innovations and is based on the following points:
› the company pays a contribution of 20.00 euro for each employee that voluntarily joins the scheme;
› each employee that joins the scheme pays an annual contribution of 40.00 euro;
› employees may choose to extend the insurance cover to their families by paying an additional contribution.

The features of the insurance scheme, how it works, how employees can join and the type of benefits offered were set forth by a work group consisting of trade union representatives and company representatives.

In 2010, on the basis of the work of a mixed committee of workers' representatives and company representatives, as envisaged in the 2009 agreement on childhood services, an agreement was made by the Company and the Union of Valdera Councils, covering fifteen municipalities and thirty-five nurseries. Under the agreement, employees that enrol children under the age of three years in an accredited nursery will be entitled to a monthly contribution of EUR 160.00 or EUR 120.00 (depending on whether the child is enrolled for more or less than four hours a day) towards the fees charged by the nursery.

PREMIER
Dragon
Taichi
GPR
DERBI

Customer and dealer service

In line with 2008 and 2009, which saw a global focus on product awareness and process efficiency, monitoring of service levels and customer experience continued in 2010.

Customer Experience

In 2010, 60,000 customers, of whom 11,000 in India and Vietnam, took an active part in the customer engagement sessions set up by the Group to understand developments in its customer expectations and evaluate brand reputation and customer loyalty.
Particular focus was placed on the perceived reliability and quality of product features, such as their robustness, performance, road holding and running costs, in order to provide product innovation and development teams with information in addition to data from technical tests and trials regularly conducted on all products, to ensure their safety and usability.
In particular, the Customer Satisfaction portal, already operative worldwide, is fundamental for company/customer dialogue, as it can monitor customer opinions and feedback in real time.
The customer engagement platform is always paired to specific projects focused on products or to promotional initiatives (test rides, events, etc.). These initiatives are normally designed to bring customers closer to new technologies targeted at saving energy, safety and reducing pollution, which require information and education campaigns on their use so that customers can make the most of them.

Customer service

The Group's Contact Center operates in a multichannel environment, with customer and contact targets, and has a virtual on-line space, currently operative on main European markets: Italy, France, Spain, Germany and Great Britain – as well as the USA and Vietnam. The project is being started up in India.
In 2010 some 90,000 contacts were managed in Europe, with a further 3,500 in the rest of the world. Problems found in products and/or services accounted for 19% of calls for assistance, a figure down by 10% on 2009, confirming how the management of complaints is also an indicator of an organisation's reliability and a driver for improving process effectiveness.
The Group's service levels in its main markets match standards of excellence in the sector, with 90% of calls managed within thirty seconds, and resolution times below forty-eight hours.
Alongside a continual improvement in service levels, a platform will be developed for the dealer network and Group to jointly manage promotional events, customer loyalty initiatives and test rides, as well as share the "End Customer Data Base" (DBCF).
The CRM platform is currently being tested in India. Testing is necessary due to the fact that very few manufacturers in India use Free Tool Number, and those that do introduced them only very recently. Customer care activities are an essential part of Piaggio Vehicle Private Ltd.'s Marketing & Sales policies and particular attention is paid to devising tools and methodologies for the network, in order to manage and provide customer service to the highest standards of excellence on the market.

The Group considers customer service and the dealer network as essential for forging a relationship of trust with customers on main reference markets.
That relationship hinges on tools designed to manage and develop relationships with dealers: the Dealer Web Site, a web platform for dealer network training, information and involvement and a Dealer Support Service for managing the network's technical and sales problems.

Dealer Web Site

The Dealer Web Site is a gateway to applications, information and technical documents and sales literature designed to help dealers manage their markets according to common standards and criteria. Access is personalised on the basis of the role assigned to the partner by their agency agreement.

This tool is normally associated with specific events, such as dealer conventions and engagement panels, to ensure that all activities and initiatives translate into customer management methods able to build customer loyalty and develop dealers' reputations on the market.

Dealer Support Service

The Dealer Support Service provides daily assistance to ensure the optimal management of after-sales service – from delivery of the vehicle to management of assistance services and product warranties. This service is the most important customer/dealer channel, and is based on platforms specialised by area, such as logistics, product and accessory sales and service, and has an on-line virtual space and help desk for all main European markets: Italy, France, Spain, Germany and Great Britain – as well as the USA and Vietnam.

Besides enabling service levels to be standardised for all our partners, in accordance with contractual arrangements, the platforms enable the right action to be taken and training, documentation and available information to be delivered in the most effective way.

Corporate Social Responsibility

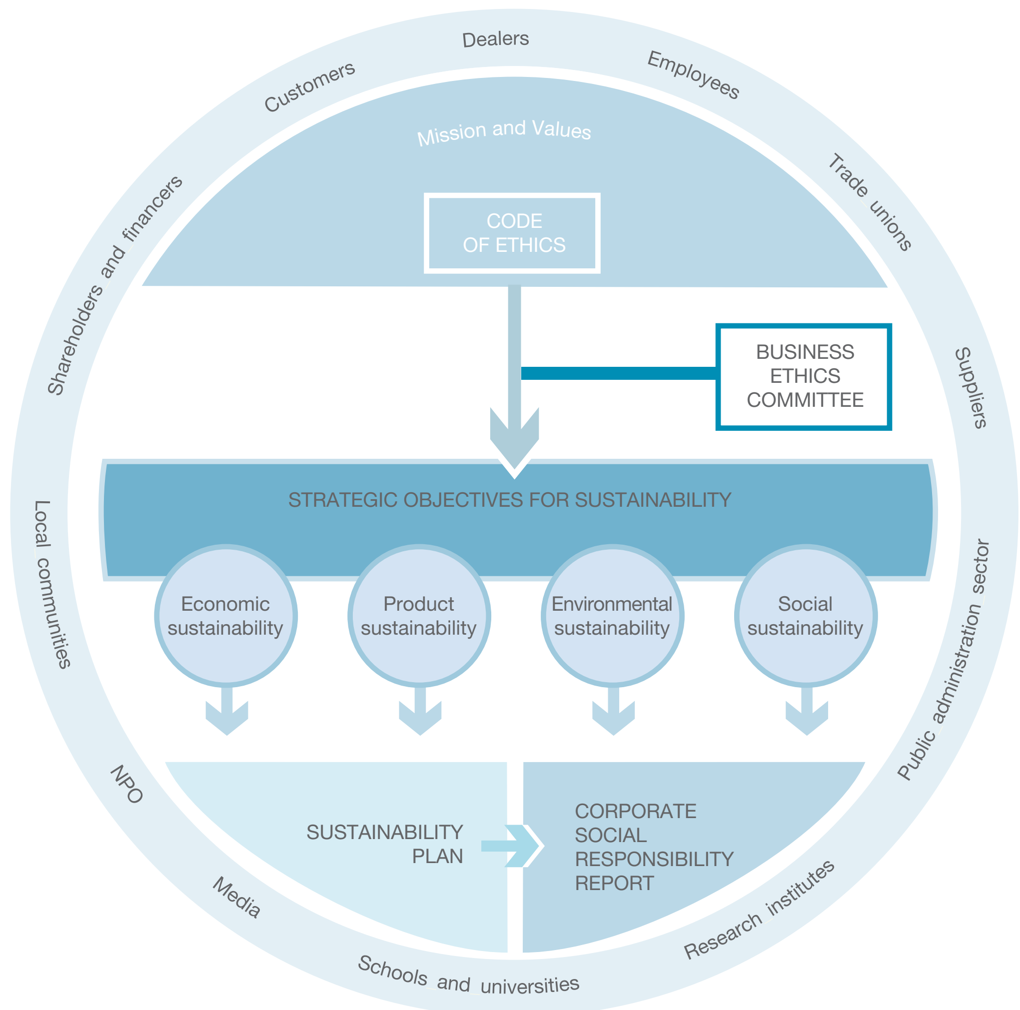
Piaggio's concept of sustainability is outlined in its "CSR Model', which is developed at a Group level. This Model is based on the mission and values that have set the company apart since its inception and which are the cornerstone of its Code of Ethics.

The Piaggio Group has always been committed to safety, quality, environmental issues and the wellbeing of its employees and partners. In other words, it is committed to being socially accountable for its operations and

Since the 1990's, Piaggio has made its mark in bringing together production and social responsibility, through the intense work of the Piaggio Foundation. With its Museum and Historical Archive, the Foundation is one of the first examples in Italy of placing value in a Company's historical heritage and promoting culture in the community.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to adopt a structured Corporate Social Responsibility model that defines and organises all aspects of Piaggio's corporate social responsibility.

Piaggio's Corporate Social Responsibility Model



Piaggio's mission and values, which form the basis for the Group's Code of Ethics, produced in 2004, are considered as strategic objectives for sustainability, divided into areas of sustainability that are important for the Group: economic sustainability, product sustainability, environmental sustainability and social sustainability. Based on these areas and in line with its strategic objectives, the Group has produced a three-year sustainability plan with short and medium-/long-term objectives.

The entire process described in this document is coordinated by the Business Ethics Committee, set up in 2008. The Committee is tasked with developing regulations and rules of organisational conduct in line with best international practices for corporate social responsibility.

As part of its responsibilities and duties, the Business Ethics Committee analyses all operations concerning relations between the Piaggio Group and external players, with the aim of guaranteeing to all stakeholders that the information cycle is managed transparently. Starting from the assumption that transparency best describes the purpose of corporate social responsibility today, the Committee acts as a "guarantor" for investors, consumers and opinion leaders, to make sure Company conduct is based on conformity to laws at all times, on fairness and on the truthfulness of disclosures to the public.

In developing a social responsibility strategy that can fully meet the needs of all stakeholders, the Business Ethics Committee has identified stakeholder categories addressed by the Group's operations: customers, employees, shareholders and investors, dealers, suppliers, trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Careful monitoring of all its stakeholders' expectations is a great opportunity for the Group to further improve operations. It is in this context that Piaggio is focussing its efforts: understanding possible areas of improvement in order to provide products that always meet the expectations of its customers, communicating its philosophy and business model clearly and effectively at all times.

The Piaggio Group pursues its sustainability objectives based on specific development guidelines.
- Transparency and economic value In line with these development guidelines, the Group's objectives include creating value for all shareholders, while complying with business ethics and adopting a number of social values.
- Product innovation and sustainable mobility The Group's industrial strategy is based on technological innovation which targets environmentally friendly mobility. In this context, the Group considers research into cutting-edge solutions as a critical factor for successful investment choices and industrial and commercial initiatives. Innovation is geared to cutting pollutant emissions and consumption, as well as increasing vehicle safety. Plus the Piaggio Group firmly believes that stakeholder involvement is fundamental for the development of the Company and communities where it works, in terms of economic and social wellbeing.
- Environmental sustainability Safeguarding the environment while carrying out all company operations is essential for mankind, technology and nature to coexist peacefully The Group therefore makes sustainable products, which must be manufactured using production facilities with the minimum environmental impact. Production systems are made sustainable through optimising process efficiency and converting facilities that are no longer competitive. In particular, the environmental strategy for the Group's production sites aims for a more rational use of natural resources and minimal harmful emissions and waste from production.
- Developing human resources and the context People are fundamental for Piaggio. They are vital to creating added value in the long term. The Group has defined objectives for the growth, promotion and training of human resources, ensuring that each person is rewarded for the contributions they make and that their expectations and goals are met. To achieve this, growth must go beyond the boundaries of the Company. It must go further afield to reach suppliers and dealers, with whom Piaggio wants to cooperate being a reliable partner, forging a common ground to work and grow together, to create value for the end customer. The success of a company is also closely linked

to customer confidence and satisfaction. Customers must be listened to, informed and respected, establishing relations based on transparency and trust. The Group is committed to engaging and supporting local communities through social, cultural and educational initiatives. The relations the Group forges with other reference stakeholders is fundamental: trade unions, local communities, schools, universities and research institutes, the public administration sector, the media, organisations and trade associations.

Piaggio's constant focus on sustainability and its increasing commitment in recent years have convinced the Group of the need to communicate its sustainability strategy and results achieved with even greater transparency, through its Corporate Social Responsibility Report (CSR Report) which is considered the most appropriate means for this purpose.

The CSR Report, available since 2008 and published on the institutional site www.piaggiogroup.com under Social Responsibility, is an annual document which reports on the Group's strategy, policy and economic, environmental, social and product performance, sustained by principles of the utmost transparency and continual improvement.

In defining and preparing the CSR Report, the Piaggio Group has followed national and international best practices on Corporate Responsibility and edition G3 of the Sustainability Reporting Guidelines produced by Global Reporting Initiative (GRI) 2006. The GRI Reporting Framework is a universally accepted model of reporting sustainability. It includes practices which are common to different types of organisations and has a content which is both general and sector-specific, with the purpose of reporting the sustainability performance of an organisation.

Since the first edition in 2008, the CSR Report has been revised by an external organisation, to guarantee to all stakeholders that the information it contains is reliable.

Corporate Governance

Profile

The Company is organised in accordance with the traditional administration and control model mentioned in articles. 2380 *bis et seq* of the Italian Civil Code, with the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

Roberto Colaninno is Chairman and Chief Executive Officer of the Company, Matteo Colaninno is Deputy Chairman and Michele Pallottini[1] is General Director of Finance.

1_The Board of Directors appointed Maurizio Roman as General Director of Product Development and Strategies on 26 February 2010. Mr Roman stepped down from office on 13 January 2011.

The Company has adopted the Corporate Governance Code of Borsa Italiana S.p.A. and observes all principles of corporate governance contained in the code. With reference to article 7 of the Code, as amended on 24 March 2010, the Company is taking steps to comply with the recommendations introduced concerning fees for directors and executives with strategic responsibilities.

The Company is subject to the management and coordination of IMMSI S.p.A. pursuant to article 2497 et seq. of the Italian Civil Code.

Board of Directors

The Board of Directors of the Company in office at the date of this Report comprised 11 members appointed by the Ordinary General Meeting of Shareholders of 16 April 2009, based on the one candidate list submitted by the majority shareholder IMMSI S.p.A.. The Board of Directors will remain in office until the date of the Shareholders' Meeting called for approval of the financial statements for the financial year ended 31 December 2011.

The number and authority of non-executive and independent directors are such that they ensure that their opinion has a significant weight in the Issuer's Board decisions. The non-executive and independent directors bring their specific competencies to Board discussions, contributing to the making of decisions that conform to corporate interests.

Committees

The Appointment Proposals Committee, the Remuneration Committee, the Internal Control Committee and the Committee for Transactions with Related Parties have been established within the Board.

Internal control system

The Board defines the guidelines of the internal control system, considered as a combination of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, compliance with laws and regulations and the safekeeping of corporate assets.
In this context, the Board of Directors is assisted by a Director appointed to oversee operation of the internal control system and an Internal Control Committee.
The Board of Directors, in response to a proposal by the Appointed Director and having obtained the opinion of the Internal Control Committee, appointed the Internal Control Supervisor, ensuring that he/she receives adequate means to carry out his/her functions, including - as regards the operating structure and internal organisational procedures - access to information needed for his/her position.
During 2010, the Company also updated its organisation, management and control model pursuant to Legislative Decree 231/2001.

Board of Statutory Auditors

The Board of Statutory Auditors in office at the date of this Report was unanimously appointed by the Ordinary General Meeting of Shareholders on 16 April 2009, based on the one candidate list submitted by the majority shareholder IMMSI S.p.A., as provided for in article 24 of the articles of association, and will remain in office until approval of the Financial Statements for the year ended 31 December 2011.

Corporate Governance Report

The Company produces an annual Report on Corporate Governance and Ownership, describing the corporate governance system adopted by the Issuer, and containing information on corporate ownership and the internal control system. The main contents of this Report are summarised below. The Report is published in full on the institutional site of the Issuer www.piaggiogroup.com under Governance. .

Stock option plan

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 and subsequently amended, for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 Plan"), the following transactions took place during the period:

- on 4 January 2010, 500,000 options were assigned at an exercise price of EUR 1.892. On the date of assignment of the options, the market price of the underlying financial instruments was EUR 2.004;
- on 6 February 2010 75,000 option rights expired;
- on 30 September 2010 90,000 option rights expired.

As of 31 December 2010, 8,430,000 option rights had been assigned for a corresponding number of shares.
In addition, after the end of the reporting period, on 13 January 2011, 500,000 option rights expired.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents can be consulted on the institutional web site of the Issuer www.piaggiogroup.com under Governance.

Rights	No. of options	Average exercise price (Euro)	Market price (Euro)
Rights existing as of 31/12/2009	8,095,000		
- of which exercisable in 2009	-		
New rights assigned in 2010	500,000	1,892	2.004
Rights excercised in 2010	-		
Rights expired in 2010	165,000		
Rights existing as of 31/12/2010	8,430,000		
- of which exercisable as of 31/12/2010	-		

Canon
GILERA
GP800

Statement of reconciliation between shareholders' equity and earnings for the period of the Parent Company and consolidated companies

	Earnings as of 31/12/2010	Shareholders' equity as of 31/12/2010	Earnings as of 31/12/2009	Shareholders' equity as of 31/12/2009
In thousands of Euros				
Piaggio & C. S.p.A.	**18,848**	**338,306**	**46,053**	**348,340**
Earnings and shareholders' equity of subsidiaries	82,124	225,053	63,941	197,397
Elimination of the carrying amount of equity investments		(79,732)		(77,837)
Elimination of dividends from subsidiaries	(61,328)		(31,851)	
Sale/disposal of intangible assets/ property, plant and equipment to subsidiaries		(31,636)	(26,563)	(43,821)
Elimination of the effects of other intergroup transactions and other records	3,197	(9,101)	(4,161)	(277)
Piaggio & C. Group	**42,841**	**442,890**	**47,419**	**423,802**

MOTO GUZZI
LASER

Proposal to approve the financial statements and allocate profit for the period

Dear Shareholders,

We propose your approval of the Financial Statements as of 31 December 2010 prepared according to international financial reporting standards.

We also propose your approval to allocate profit for the period, equal to 18,847,682.25 Euros, as follows:

- 942,384.11 Euros to the legal reserve;
- 17,905,298.14 Euros to be distributed as dividends.

We propose your approval of using reserves available for an amount equal to 7,778,485.16 Euros for the distribution of dividends.
Subject to approval by the general meeting of shareholders, the Company will pay a dividend equal to 0.07 euro per share, gross of taxes, as from 16 May 2011, with detachment date on 19 May 2011, for all ordinary shares, for a maximum total amount of 25,683,783.30 euro.

Milan, 7 March 2011

On behalf of the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

PORTER

Economic glossary

Working capital: defined as the net sum of: Current and non-current trade receivables and other receivables, Inventories, Long-term trade payables and other payables and Current trade payables, Other receivables (Short- and long-term tax receivables, Deferred tax assets) and Other payables (Tax payables and Other short-term payables)

Net tangible assets: consists of property, plant and equipment and industrial equipment, net of amortization quota and of assets held for sale.

Net intangible assets: consist of capitalised development costs, costs for patents and know-how and goodwill arising from acquisition/merger operations carried out within the Group

Financial assets: defined by the Directors as the sum of Equity investments and Other non-current financial assets

Provisions: consist of Retirement funds and employee benefits, Other long-term provisions, the current portion of other long-term provisions, and Deferred tax liabilities.

Gross industrial margin: defined as the difference between "Revenues" and the corresponding "Cost to sell" of the period,

Cost to sell includes: the cost for materials (direct and consumables), accessory purchase costs (transport of incoming material, customs, movements and warehousing), employee costs for direct and indirect manpower and relative expenses, work carried out by third parties, energy costs, amortisation/ depreciation of property, plant, equipment and industrial equipment, external maintenance and cleaning costs net of sundry cost recovery recharged to suppliers.

Operating expenses: consist of employee costs, costs for services and lease and rental costs, and additional operational expenditure net of operating income not included in the gross industrial margin. Operating expenses also include amortisation and depreciation not included in the calculation of the gross industrial margin.

Consolidated EBITDA: defined as "Operating income" before the amortisation of intangible assets and depreciation of plant, property and equipment as resulting from the consolidated income statement.

PIAGGIO GROUP

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2010

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Consolidated Income Statement

Notes	In thousands of Euros	2010 Total	of which Related parties (Section F)	2009 Total	of which Related parties (Section F)
4	**Net revenues**	**1,485,351**	**711**	**1,486,882**	**7**
5	Cost for materials	881,075	40,584	871,653	38,800
6	Cost for services and leases and rental	258,358	6,057	272,065	3,679
7	Employee costs	240,115		242,916	
8	Depreciation of property, plant and equipment	35,879		37,148	
8	Amortisation of intangible assets	50,127		59,230	
9	Other operating income	121,128	3,279	135,938	1,538
10	Other operating costs	29,821	43	35,387	2
	Operating income	**111,104**		**104,421**	
11	Income/(loss) from equity investments	5,252		450	
12	Financial income	2,891	3	4,455	
12	Borrowing Costs	33,905	144	33,275	161
12	Net exchange gains/(losses)	(1,518)		(1,958)	
	Earnings before tax	83,824		74,093	
13	Taxation for the period	40,983		26,674	
	Earnings from continuing activities	**42,841**		**47,419**	
	Assets held for disposal:				
14	Profits or losses arising from assets held for disposal				
	Net Income (Loss) for the period	**42,841**		**47,419**	
	Attributable to:				
	Shareholders of the Parent Company	**42,811**		**46,031**	
	Non-controlling interests	**30**		**1,388**	
15	**Earnings per share (figures in €)[1]**	**0.113**		**0.125**	
15	**Diluted earnings per share (figures in €)[1]**	**0.112**		**0.125**	

1_Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in 2009 was recalculated as indicated in IAS 33

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Consolidated Comprehensive Income Statement

		2010	2009	Change
Notes	In thousands of Euros			
	Profit (loss) for the period (A)	**42,841**	**47,419**	**(4,578)**
31	Effective portion of profits (losses) on cash flow hedges	(354)	532	(886)
	Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	3.060	619	2.441
	Total Other Profits (and losses) for the period (B)[2]	**2,706**	**1,151**	**1,555**
	Total Profit (loss) for the period (A + B)	**45,547**	**48,570**	**(3,023)**
	Attributable to:			
	Shareholders of the Parent Company	**45,531**	**47,467**	**(1,936)**
	Non-controlling interests	**16**	**1,103**	**(1,087)**

2_Other Profits (and losses) take account of relative tax effects

Consolidated Statement of Financial Position

Notes	In thousands of Euros	As of 31 December 2010 Total	of which Related parties (Section F)	As of 31 December 2009 Total	of which Related parties (Section F)
	Assets				
	Non-current assets				
16	Intangible assets	652,622		641,254	
17	Property, plant and equipment	256,759		250,415	
18	Investment property				
19	Equity investments	194		239	
20	Other financial assets	334		343	9
21	Long-term tax receivables	967		4,990	
22	Deferred tax assets	46,294		46,462	
23	Trade receivables				
24	Other receivables	12,655	443	12,914	459
	Total non-current assets	**969,825**		**956,617**	
28	**Assets held for sale**				
	Current assets				
23	Trade receivables	90,421	2,210	103,164	477
24	Other receivables	23,300	5,983	24,198	4,066
21	Short-term tax receivables	44,200		23,979	
25	Inventories	240,066		252,496	
26	Other financial assets	23,051		4,127	
27	Cash and cash equivalents	154,859		200,239	
	Total current assets	**575,897**		**608,203**	
	Total assets	**1,545,722**		**1,564,820**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
31	Share capital and reserves attributable to the shareholders of the Parent Company	441,277		421,661	
31	Share capital and reserves attributable to non-controlling interests	1,613		2,141	
	Total shareholders' equity	**442,890**		**423,802**	
	Non-current liabilities				
32	Financial liabilities falling due after one year	371,048	2,900	443,164	16,000
33	Trade payables	88			
34	Other long-term provisions	16,993		22,965	
35	Deferred tax liabilities	32,338		29,694	
36	Retirement funds and employee benefits	58,636		61,859	
37	Tax payables	3,361			
38	Other long-term payables	4,202		6,485	
	Total non-current liabilities	**486,666**		**564,167**	
	Current liabilities				
32	Financial liabilities falling due within one year	156,800		113,178	
33	Trade payables	352,627	12,857	345,987	13,242
37	Tax payables	19,290		18,952	
38	Other short-term payables	69,503	342	79,567	607
34	Current portion of other long-term provisions	17,946		19,167	
	Total current liabilities	**616,166**		**576,851**	
	Total shareholders' equity and liabilities	**1,545,722**		**1,564,820**	

Consolidated Cash Flow Statement

Notes	In thousands of Euros	As of 31 December 2010 Total	of which Related parties (Section F)	As of 31 December 2009 Total	of which Related parties (Section F)
	Operating activities				
	Consolidated net income	42,811		46,031	
	Non-controlling interests	30		1,388	
13	Taxation for the period	40,983		26,674	
8	Depreciation of property, plant and equipment	35,879		37,148	
8	Amortisation of intangible assets	50,127		59,230	
	Non-monetary costs for stock options	2,650		723	
	Allocations for risks and retirement funds and employee benefits	29,243		28,740	
	Write-downs / (Reversal)	1,755		7,360	
	Losses / (Gains) on the disposal of property, plants and equipment	(2,240)		83	
	Losses / (Gains) on the disposal of intangible assets	-		-	
12	Financial income	(2,891)		(1,445)	
	Dividend income	(12)		(601)	
12	Borrowing Costs	29,744		28,051	
	Income from public grants	(4,164)		(7,428)	
	Portion of earnings of affiliated companies	45			
	Change in working capital:	0			
23	(Increase)/Decrease in trade receivables	12,743	(1,733)	(12,886)	(17)
24	(Increase)/Decrease in other receivables	(1,157)	(1,901)	(2,818)	(2,105)
25	(Increase)/Decrease in inventories	12,430		5,465	
33	Increase/(Decrease) in trade payables	6,640	(385)	(16,237)	4,530
	(Increase)/Decrease in other payables	(12,347)	(265)	8,890	7
	Increase/(Decrease) in provisions for risks	(26,974)		(19,015)	
	Increase/(Decrease) in retirement funds and employee benefits	(13,028)		(11,470)	
	Other changes	(43,774)		20,299	
	Cash generated from operating activities	**158.493**		**198.182**	
	Interest paid	(23.178)		(33.522)	
	Taxation paid	(12.774)		(35.325)	
	Penalty for the advance reimbursement of a debenture loan	-		(6.098)	
	Cash flow from operating activities (A)	**122.541**		**123.237**	
	Investment activities				
17	Investment in property, plant and equipment	(37,132)		(39,254)	
	Sale price, or repayment value, of property, plant and equipment	3,823		1,505	
16	Investment in intangible assets	(59,063)		(54,535)	
	Sale price, or repayment value, of intangible assets	261		55	
	Purchase of financial assets	(23,051)		-	
	Sale price of financial assets	4,127		1,615	
	Collected interests	2,360		2,082	
	Cash flow from investment activities (B)	**(108,675)**		**(88,487)**	
	Financing activities				
31	Purchase of treasury shares	(3,344)		(1,179)	
31	Outflow for dividends paid	(25,765)		(22,533)	
32	Loans received	37,652		395,365	
32	Outflow for repayment of loans	(65,174)		(234,179)	
32	Repayment of finance leases	(758)		(726)	
	Cash flow from funding activities (C)	**(57,389)**		**136,748**	
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(43,523)		171,498	
	Opening balance	**198,281**		**25,976**	
	Exchange differences	-		807	
	Closing balance	**154,758**		**198,281**	

This statement shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS 7.

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2010 and 31 December 2009.

Notes	In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
27	Cash and cash equivalents	154,859	200,239	(45,380)
30	Current account overdrafts	(101)	(1,958)	1,857
	Final balance	**154,758**	**198,281**	**(43,523)**

Consolidated net debt (Net Financial Debt)

Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 “Recommendation for the consistent implementation of the European Commission’s Regulation on Prospectuses“.

Notes	In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
27	**Liquidity**	**154,859**	**200,239**	**(45,380)**
26	Securities	23,051	4,127	18,924
	Current financial receivables	**23,051**	**4,127**	**18,924**
32	Payables due to banks	(45,505)	(24,473)	(21,032)
32	Current portion of bank financing	(82,929)	(58,812)	(24,117)
32	Amounts due to factoring companies	(23,255)	(26,599)	3,344
32	Amounts due under leases	(791)	(758)	(33)
32	Current portion of payables due to other lenders	(4,320)	(2,536)	(1,784)
	Current financial debt	**(156,800)**	**(113,178)**	**(43,622)**
	Net current financial debt	**21,110**	**91,188**	**(70,078)**
32	Payables due to banks and financing institutions	(214,785)	(289,872)	75,087
32	Debenture loan	(139,007)	(137,665)	(1,342)
32	Amounts due under leases	(7,471)	(8,262)	791
32	Amounts due to other lenders	(9,785)	(7,365)	(2,420)
	Non-current financial debt	(371,048)	(443,164)	72,116
	Net financial debt	**(349,938)**	**(351,976)**	**2,038**

This table reconciles the movement in the flow of the consolidated net debt with cash and cash equivalent movements as shown in the Consolidated Statement of Cash Flows.

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the Consolidated Statement of Cash Flows	**(43,523)**
Outflow for repayment of loans	65,174
Repayment of finance leases	758
Loans received	(37,652)
Amortised cost on M-L term financing	(1,643)
Loans on leases received	
Repayment of loans provided	0
Purchase of financial assets	23,051
Sale of financial assets	(4,127)
Exchange differences	0
Change in consolidated net debt	**2,038**

Changes in Shareholders' Equity

Movements from 1 January 2010/31 December 2010

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2010	**191,616**	**3,493**	**8,996**	**127**	**(5,859)**
31	Charges for the period for stock option plans					
31	Allocation of profits			2,303		
31	Distribution of dividends					
31	Cancellation of treasury shares	12,608				
31	Purchase of treasury shares	(876)				
	Total overall profit (loss)				(354)	
	As of 31 December 2010	**203,348**	**3,493**	**11,299**	**(227)**	**(5,859)**

Movements from 1 January 2009/31 December 2009

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	Reserve for measurement of financial instruments	IAS transition reserve
	As of 1 January 2009	**192,147**	**3,493**	**7,497**	**(405)**	**(5,859)**
31	Charges for the period for stock option plans					
31	Allocation of profits			1,499		
31	Distribution of dividends					
31	Purchase of treasury shares	(531)				
31	Total overall profit (loss)				532	
	As of 31 December 2009	**191,616**	**3,493**	**8,996**	**127**	**(5,859)**

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
993	**(5,468)**	**9,279**	**218,484**	**421,661**	**2,141**	**423,802**
		2,650		**2,650**		**2,650**
			(2,303)	**0**		**0**
			(25,765)	**(25,765)**		**(25,765)**
			(12,608)	**0**		**0**
			(2,468)	**(3,344)**		**(3,344)**
	3,618		42,811	**46,075**	**(528)**	**45,547**
993	**(1,850)**	**11,929**	**218,151**	**441,277**	**1,613**	**442,890**

Group consolidation reserve	Group conversion reserve	Stock option reserve	Performance reserve	Consolidated Group shareholders' equity	Non-controlling interests capital and reserves	Total shareholders' equity
993	**(6,372)**	**8,556**	**196,717**	**396,767**	**1,454**	**398,221**
		723		**723**		**723**
			(1,499)	**0**		**0**
			(22,117)	**(22,117)**	**(416)**	**(22,533)**
			(648)	**(1,179)**		**(1,179)**
	904		46,031	**47,467**	**1,103**	**48,570**
993	**(5,468)**	**9,279**	**218,484**	**421,661**	**2,141**	**423,802**

Notes to the Consolidated Financial Statements as of 31 December 2010

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where the Group conducts its main business operations are listed in the introduction to the financial statements. The main operations of the company and its subsidiaries (the Group) are described in the Report on Operations.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Group's transactions take place. Foreign operations are included in the consolidated financial statements according to the standards indicated in the notes below.

Scope of consolidation

As of 31 December 2010, the structure of the Piaggio Group was as indicated in the Report on Operations and is the structure referred to herein.
The scope of consolidation has changed compared to the Consolidated Financial Statements as of 31 December 2009, following the establishment of a new selling agency in Canada on 12 March 2010. As the change is of a limited extent, comparability with data from previous periods has not been affected.

Compliance with international accounting standards

The Consolidated Financial Statements of the Piaggio Group as of 31 December 2010 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation on Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98").
The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.
Moreover, international accounting standards have been uniformly adopted for all Group companies.
The financial statements of subsidiaries, used for consolidation, have been appropriately modified and reclassified, where necessary, to bring them in line with the international accounting standards and uniform classification criteria used by the Group.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Group has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Group.

These Consolidated Financial Statements have been audited by Deloitte & Touche S.p.A..

Other information

A specific paragraph in this Report provides information on any significant events occurring after the end of the period and on the expected operating outlook.

1. Form and content of the financial statements

Form of the consolidated financial statements

The Group has chosen to highlight all changes generated by transactions with non-shareholders within two statements reporting trends of the period, respectively named the "Consolidated Income Statement" and "Consolidated Comprehensive Income Statement". The Financial Statements are therefore composed of the Consolidated Income Statement, the Consolidated Comprehensive Income Statement, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and these notes.

Consolidated Income Statement

The consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, the income and cost items arising from assets that are held for disposal or sale, including any capital gains or losses net of the tax element, are recorded in a specific item of the consolidated statement of financial position which precedes Group net income and non-controlling interests.

Consolidated Comprehensive Income Statement

The Consolidated Comprehensive Income Statement is presented as provided for in IAS 1 revised. This amended version of the standard requires income attributable to parent company owners and to non-controlling interests to be recorded.

Consolidated Statement of Financial Position

The Consolidated Balance Sheet is presented in opposite sections with separate indication of assets, liabilities, and shareholders' equity.
In turn, assets and liabilities are reported in the Consolidated Financial Statements on the basis of their classification as current and non-current.

Consolidated Cash Flow Statement

The Consolidated Cash Flow Statement is divided into cash-flow generating areas. The Consolidated Statement of Cash Flows model adopted by the Piaggio Group has been prepared using the indirect method. The cash and cash equivalents recorded in the Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reference date. Financial flows in foreign currency have been converted at the average exchange rate for the period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Consolidated net debt

The statement of net debt has been prepared pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses ".

Consolidated Statement of Changes in Shareholders' Equity

The Consolidated Statement of Changes in Shareholders' Equity is presented as provided for in the revised version of IAS 1.
This includes the statement of comprehensive income, separately indicating amounts attributable to owners of the parent and non-controlling interests, amounts of owner-generated transactions and any effects of retroactive application or retroactive determination pursuant to IAS 8. Reconciliation between the opening and closing balance of each item for the period is presented.

Contents of the Consolidated Financial Statements

The Consolidated Financial Statements of Piaggio & C. include the Financial Statements of the Parent Company Piaggio & C. S.p.A. and Italian and foreign companies in which it has direct or indirect control, which are listed in section M.

2. Principles of consolidation and accounting policies

The Consolidated Financial Statements as of 31 December 2010 include, on a line-by-line basis, the Financial Statements of the Parent Company and companies in which the Piaggio Group holds the majority of voting rights, and in any case all companies in which it has a major influence, which are listed in section M.

As of 31 December 2010 subsidiaries and affiliated companies of Piaggio & C. S.p.A. were as follows:

	Subsidiaries			Affiliated companies			Total
	Italy	**Abroad**	**Total**	**Italy**	**Abroad**	**Total**	
Companies:							
- consolidated on a line-by-line basis	4	18	22				22
- consolidated with the equity method		3	3		1	1	4
- valued at cost				3	2	5	5
Total companies	**4**	**21**	**25**	**3**	**3**	**6**	**31**

2.1 Principles of consolidation

The assets and liabilities, and income and costs, of consolidated companies are recognised on a global integration basis, eliminating the carrying amount of consolidated equity investments in relation to the relative shareholders' equity at the time of purchase or underwriting. The carrying amount of equity investments has been eliminated against the shareholders' equity of subsidiaries/affiliated companies, assigning to non-controlling interests under specific items the relative portion of shareholders' equity and relative net income due for the period, in the case of subsidiaries consolidated on a line-by-line basis.
The positive differences arising from the elimination of equity investments against the value of shareholders' equity at the date of first consolidation are recognised as greater values attributable to assets and liabilities, and the remainder as goodwill. In accordance with provisional regulations of IFRS 3, the Group has changed its accounting policy concerning goodwill to a forward-looking basis, as from the date of transition. Therefore, starting from the date of transition, the Group has stopped amortising goodwill, which instead has been tested for impairment.
The portion of shareholders' equity and operating profit of subsidiaries due to non-controlling interests has been entered as "Non-controlling interests Capital and Reserves" under shareholders' equity, and in the Income Statement as "Profit for the period of non-controlling interests"

Subsidiaries

Subsidiaries are companies in which the Group has a major influence. This influence exists when the Group has direct or indirect power to determine the financial and operational policies of a company in order to gain benefits from its operations. The acquisition of subsidiaries is recognised according to the acquisition method.
The cost of acquisition is determined by the sum of present values at the date control of the given assets was obtained, liabilities borne or undertaken and financial instruments issued by the Group in exchange for control of the acquired company, plus costs directly attributable to the business combination.
The identifiable assets, liabilities and potential liabilities of the acquired company that meet the requirements for recognition provided for in IFRS 3 are recorded at their present values at the date of acquisition, apart from non-current assets (or disposal Groups) which are classified as held for sale in accordance with IFRS 5, that are recognised and accounted for at fair value minus costs to sell.
Goodwill arising from the acquisition is recognised as an asset and initially measured at cost, represented by the excess amount of the acquisition cost in relation to the portion of the Group in present values of identifiable assets, liabilities and potential liabilities that have been recognised.
The financial statements of subsidiaries are included in the Consolidated Financial Statements starting from the date when control is acquired until control ceases.
The portions of shareholders' equity and income attributable to non-controlling interests are separately indicated in the Consolidated Statement of Financial Position and Consolidated Income Statement respectively.

Affiliated companies

Affiliated companies are companies in which the Group has considerable influence but not joint control of financial and operational policies. The Consolidated Financial Statements include the portion relative to the Group of income of affiliated companies, accounted for using the equity method, starting from the date when it commences to have considerable influence and ending when said influence ceases. In the event any portion attributable to the Group of losses of the associated company exceeds the book value of equity investment in the financial statements, the value of the equity investment is reset to zero and the portion of further losses is not recorded, except in cases where and to the extent in which the Group is required to be held liable for said losses.

Jointly controlled companies:

Jointly controlled companies are companies in which the Group has joint control of operations, as defined by contractual agreements. These joint venture agreements require the establishment of a separate entity in which each participating organisation has a share known as a joint control shares. The Group records joint control equity investments using the equity method.
As regards transactions between a Group company and a jointly controlled company, unrealised profits and losses are eliminated to an extent equal to the percentage of the equity investment of the Group in the jointly controlled company, with the exception of unrealised losses that constitute evidence of an impairment of the transferred asset.

Equity investments in other companies

Equity investments in other companies (usually the percentage held is less than 20%) are entered at cost minus any impairment losses. Dividends received from these companies are included under the item Profits (losses) from equity investments.

Transactions eliminated during the consolidation process

In preparing the Consolidated Financial Statements, all balances and significant transactions between Group companies have been eliminated, as well as unrealised profits and losses arising from intergroup transactions. Unrealised profits and losses generated from transactions with affiliated companies or jointly controlled companies are eliminated based on the value of the equity investment of the Group in the companies.

Transactions in foreign currency

Transactions in foreign currency are recorded at the exchange rate in effect at the end of the reporting period and are translated at the exchange rate in effect at that date. Exchange differences arising when monetary items are settled or translated at rates different from those at which they were translated when initially recognised in the period or in previous financial statements are reported in the income statement.

Consolidation of foreign companies

The separate financial statements of each company belonging to the Group are prepared in the currency of the primary economic environment in which they operate (the functional currency). For the purposes of the Consolidated Financial Statements, the financial statements of each foreign entity are in Euros, which is the functional currency of the Group and the presentation currency of the Consolidated Financial Statements.
All assets and liabilities of foreign companies in a currency other than the Euro which come under the scope of consolidation are translated, using rates of exchange in effect at the end of the reporting period (currency exchange rates method). Income and costs are translated at the average exchange rate of the period. Translation differences arising from the adoption of this method are classified as shareholders' equity until disposal of the equity investment. Average exchange rates for translating the cash flows of foreign subsidiaries are used in preparing the Consolidated Cash Flow Statement.
During the first-time adoption of IFRSs, cumulative translation differences arising from the consolidation of foreign companies outside the euro zone were not reset to zero, as allowed by IFRS 1 and have therefore been maintained.
Translation differences arising from a comparison of initial shareholders' equity translated at current exchange rates and the same equity translated at historical rates, as well as the difference between the net income expressed at average exchange rates and at current exchange rates are recorded under shareholders' equity as "Other reserves".

The exchange rates used to translate the financial statements of companies included in the scope of consolidation into euros are shown in the table.

Valuta	End of period exchange rate 31 December 2010	Average exchange rate 2010	End of period exchange rate 31 December 2009	Average exchange rate 2009
US Dollar	1.33620	1.32572	1.44060	1.39478
Pounds Sterling	0.86075	0.85784	0.88810	0.89094
Indian Rupee	59.75800	60.58780	67.04000	67.36110
Singapore Dollars	1.71360	1.80552	2.01940	2.02409
Chinese Renminbi	8.82200	8.97123	9.83500	9.52771
Croatian Kuna	7.38300	7.28906	7.30000	7.34003
Japanese Yen	108.65000	116.23900	133.16000	130.33700
Vietnamese Dong	26,050.10000	25,368.30000	26,617.10000	24,846.20000

2.2 Accounting policies

The most significant accounting policies adopted to prepare the Consolidated Financial Statements as of 31 December 2010 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Group in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets.
After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
On the disposal of part of or an entire company previously acquired and from the acquisition of which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2004, and following acquisitions made during 2004, additional goodwill was generated, the amount of which was measured again in the light of the different values of shareholders' equity in the acquired companies in relation to provisions in IFRS 3.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs may be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may

be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – *Intangible Assets*, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and amortised on a straight line basis over their estimated useful life, if they have a finite useful life. Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation periods of intangible assets are shown below:

Development costs	3 years
Industrial Patents and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	max 15 years

Property, plant and equipment

The Piaggio Group opted to use the cost method for the first-time adoption of IAS/IFRSs in preparing its financial statements, as provided for by IFRS 1. The fair value method was therefore not used to measure property, plant and equipment. Property, plant and equipment are therefore recognised at acquisition or production cost and are not revalued. In the case of an asset for which capitalisation is justified, the cost also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight-line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, adopting the rates indicated in the notes on this item.
Land is not depreciated.
Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Group, are recognised as Group assets at their fair value, or if lower, at the present value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term of the lease agreement.
The Group has its own production plants even in countries where ownership rights are not allowed. Up until 2006, it classified the rentals paid in advance to obtain the availability of land where its production sites are situated as land, and relative portion of rent as depreciation, on the assumption that local laws did not allow for the acquisition of ownership, and the 90 year duration of the agreement classified it as a finance lease.
From 2007 onwards and on the basis of clarification from IFRIC, the Group reclassified rentals paid in advance to obtain the availability of land where its production sites are situated as receivables.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the

sale revenue and net book value of the asset and are entered in the income statement for the period.

Impairment

At the end of the reporting period, the Group reviews the book value of its tangible and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the higher of an asset's fair value less costs to sell (if available) and its value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate net of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative reversal reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), except for goodwill, is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired

Investment property

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation and/or both is measured at cost net of depreciation and accumulated impairment losses.
Investment property is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available for immediate sale and management is committed to a plan to sell, which should take place within 12 months of classification as held for sale.

Financial assets

Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase.
At subsequent end of reporting periods, the financial assets the Group intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held until maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are directly recognised as shareholders' equity until the assets are sold or impaired; at this point, the overall profits/losses previously recognised as shareholders' equity are recognised in profit or loss for the period.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions, and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the impairment of inventories.

Receivables

Receivables are recorded at nominal value, adjusted to the estimated realisable value, and recognised in a provision for impairment. This provision is calculated based on recovery estimates with individual positions and overall risks of receivables being evaluated, taking into account guarantees.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, cash collection times were estimated applying a discount rate corresponding to the EURIBOR *Swap* 20 years plus a spread of listings for AA rating state securities AA to expected financial flows.

Factoring

The Group sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables is reversed when the receivable is sold to the factor.
For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under shareholders' equity until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value.

Financial liability

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost, calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at present value, according to procedures established for hedge accounting and applicable to fair value hedge: profits and losses arising from subsequent measurements at present value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and profit arising from subsequent measurements at present value of the hedged instrument.

Derivatives and measurement of hedging operations

Group assets are primarily exposed to financial risks from changes in exchange and interest rates. The Group uses derivatives (mainly currency forwards) to hedge risks arising from changes in foreign currency in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Group's risk management policies.
Derivatives are initially recognised at cost, and adjusted to fair value at subsequent end of reporting periods.

Financial derivatives are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices. In line with IAS 39, financial derivatives may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.

When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- **Fair value hedge:** if a derivative financial instrument is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, change the carrying amount of the hedged item and is recognised in profit or loss.

- **Cash flow hedge** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in other shareholders' equity. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other comprehensive income are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at present value of the derivative financial instrument are immediately recognised in profit or loss.

Long-term provisions

The Group recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Group resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, allocations are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the reserve for termination benefit is considered an obligation with defined benefits to be recorded in accounts according to IAS 19 - Employee Benefits. As a result, severance must be recalculated by actuarial evaluations at the end of each period applying the Projected Unit Credit Method.
Payments for defined benefit plans are posted to the income statement in the period they are payable. Liabilities for post-employment benefits posted to the financial statements represent the present value of liabilities for defined benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the fair value of plan assets. Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.
The Group decided not to use the "corridor method", which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Notes that the interest component on the charge related to employee plans is posted under borrowing costs.

Stock option plan

As provided for by IFRS 2 - Share-based Payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders' equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a "maturity period" is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight-line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders' equity.
Determination of fair value based on the Black Scholes method.
Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in shareholders' equity, in the case that relative deferred taxes are also recognised in shareholders' equity.
In the case of reserves of undistributed profits of subsidiaries and because the Group is able to control distribution times, deferred taxes are allocated for the reserves when distribution is expected in the future.

Payables

Payables are recognised at their nominal value, considered representative of their settlement value.

Recognition of revenues

According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser.
Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

Operating grants

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial derivatives, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing Costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on

derivatives. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends recognised in profit or loss, from non-controlling interests, are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated under statutory accounting circumstances of individual companies included in the scope of consolidation are recognised in the consolidated financial statements, based on taxable income estimated in compliance with national laws in force at the end of the reporting period, considering applicable exemptions and tax receivables owing. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes. Taxes due in the event of the distribution of reserves as withheld taxes recognised in the financial statements of individual Group companies are not allocated, as their distribution is not planned.
In 2010, for a further three years, the Parent Company was party to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

Earnings per share

Basic earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation during the period. Diluted earnings per share are calculated dividing the profit or loss attributable to shareholders of the Parent Company by the weighted average of ordinary shares in circulation adjusted to take account of the effects of all potential ordinary shares with a dilutive effect. Shares related to the stock option plan are considered as shares that may be potentially issued. The adjustment to make to the number of stock options to calculate the number of adjusted shares is determined by multiplying the number of stock options by the subscription cost and dividing it by the share market price.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify allocations for bad debts, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other allocations and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.

In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

Transactions with subsidiaries and related parties

Transactions with subsidiaries and related parties are described in the Report on Operations, referred to herein.

New accounting standards, amendments and interpretations applied as from 1 January 2010

The following accounting standards, amendments and interpretations have been applied for the first time by the Group as from 1 January 2010.

› Amendment to IAS 27 – *Consolidated and Separate Financial Statements*. The amendment establishes that changes to the share that do not result in a loss of control should be accounted for as *equity transactions* and with the counter entry recognised under shareholders' equity. Moreover, it also establishes that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible gains or losses due to the loss of control should be posted to the consolidated income statement. Finally, the amendment requires all losses attributable to non-controlling interests to be allocated to the portion of non-controlling interests in shareholders' equity, also when said exceeds the own share of capital in the subsidiary. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› Amendment to IAS 39 – *Financial instruments: Recognition and Measurement.* The amendment clarifies application of the standard to define its scope in particular situations. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› Interpretation of IFRIC 17 – *Distributions of Non-cash Assets to Owners.* Under this interpretation, a payable for dividends must be recognised when dividends are appropriately authorised and this payable must be valued at the fair value of the net assets which will be utilised for payment. The Group has applied the interpretation with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since its application.

› IFRS 8 – *Operating Segments:* the amendment requires companies to provide the total value of assets for each reporting segment, if this value is provided at the highest level of operational decision-making. This information was previously requested even in the absence of this condition. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› IAS 1 – *Presentation of Financial Statements:* the amendment requires a company to classify a liability as current if it does not retain an unconditional right to postpone its settlement for at least 12 months after the closing of the year, even in the presence of an option on the part of the counterparty which could result in a settlement by means of the issue of equity instruments. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› IAS 7 – *Statement of Cash Flows:* the amendment clarifies that only cash flows deriving from expenses resulting in the booking of assets within the balance sheet situation can be classified in the Statement of Cash Flows as deriving from investment activities. Cash flows deriving from expenses which do not result in the booking of an asset must be classified instead as deriving from operating activities. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› IAS 17 – *Leases:* the amendment requires that - during the valuation of a lease contract that includes both land and buildings - the part relative to the land be considered, as customary, to be a finance lease if the land in question has an indefinite useful life given that, in this case, the risks associated

with its use for the whole duration of the contract can be considered transferred to the lessee. On the date of adoption, all lands subject to the lease contracts which were previously effective and not yet expired must be separately valued with the potential retroactive recognition of a new finance lease. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› IAS 36 – *Impairment of Assets:* This amendment requires each operational unit or group of operational units for which goodwill is allocated for the purposes of impairment tests to be no greater in size than the operating segment defined in section 5 of IFRS 8, prior to the combination allowed as per section 12 of the IFRS on the basis of similar economic conditions or other similar elements. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

› IAS 39 – *Financial instruments: Recognition and Measurement:* the amendment restricts the exception of non-applicability contained within paragraph 2g of IAS 39 to forward contracts between a buyer and a selling shareholder - for the purposes of the sale of a company in a company grouping on the future date of acquisition - if the completion of the company grouping only depends on the elapsing of a suitable amount of time. The amendment decrees that option rights (currently exercisable or not) which allow one of the two parties to retain control over the realisation or non-realisation of future events - and whose exercising involving the control of a company - fall within the realm of applicability of IAS 39. The amendment also clarifies that the implicit penalties for the advance redemption of loans - whose price compensates the lender with the loss of additional interest - must be considered strictly correlated to the financing contract and may therefore not be booked separately. Finally, the amendment provides that net income or losses on one hedged financial instrument must be reclassified from the shareholders' equity to the consolidated income statement in the period in which the expected and hedged cash flow has an effect on the consolidated income statement. The Group has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Group have arisen since the application.

Amendments and interpretations applied as from 1 January 2010 and not relevant to the Group

The following amendments and interpretations, applicable as from 1 January 2010, regulate specific cases and case histories which are not present within the Group as of the date of this annual report:

› Interpretation of IFRIC 18 – *Transfers of Assets from Customers.*
› Amendment to IFRIC 9 – *Reassessment of Embedded Derivatives and to IAS 39 - Financial instruments: Recognition and Measurement.*
› IFRS 2 – *Share-based Payment.*
› IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations.*
› IFRIC 9 – *Reassessment of Embedded Derivatives.*
› Amendment to IFRS 2 – Share-based Payment: Share-based payment of the Group in cash.

Accounting standards, amendments and interpretations which are not yet applicable and adopted in advance by the Group

On 8 October 2009, issued an amendment to IAS 32 – *Financial instruments:* Presentation - Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as liabilities from derivative financial instruments. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.
The amendment is applicable in a retrospective manner as of 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State and gives a clear definition of related parties.
The amendment is applicable as of 1 January 2011.

The adoption of this amendment will not produce any effects on the valuation of financial statement items.

On 12 November 2009 the IASB published IFRS 9 – *Financial Instruments* - on classifying and measuring financial assets as from 1 January 2013. This is the first step in a project which will entirely replace IAS 39 in stages. The new standard uses a single approach based on procedures for financial instrument management and on contract cash flows of financial assets to determine valuation criteria replacing different regulations in IAS 39. The new standard will also have a single method to determine impairment losses from financial assets.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the process of approval necessary for its application.

On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
The amendment is applicable as of 1 January 2011.

On 26 November 2009 the IFRIC issued an amendment to IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on recording the extinguishing of a financial liability with equity instruments. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value; the difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the consolidated income statement of the period.
The amendment is applicable as of 1 January 2011.

On 6 May 2010 the IASB issued revised versions of IFRSs applicable as from 1 January 2011. Only revisions changing the way that financial statement items are presented, recognised and valued are indicated below:

- IFRS 3 - *Business combinations:* the amendment clarifies that components of non-controlling interests do not entitle holders to receive a proportional share of net assets of the subsidiary, which must be valued at fair value or as required by applicable international standards. Moreover, the Board further analysed the issue of share-based payments which are replaced in business combinations, adding specific guidelines clarifying accounting treatment.
- IFRS 7 – *Financial Instruments: Disclosures:* the change refers to the interaction between additional qualitative and quantitative information required by the standard on the nature and extent of risks concerning financial instruments. This should help readers of financial statements to associate presented information and obtain a general description of the nature and extent of risks concerning financial instruments. The requirement to disclose financing activities which have expired but not been renegotiated or impaired and to disclose the fair value of collaterals has been eliminated.
- IAS 1 – *Presentation of Financial Statements:* the amendment requires the reconciliation of changes in all items of equity to be presented in the notes and the financial statements.
- IAS 34 – *Interim financial reporting:* guidelines have been added on additional information to be included in Interim Financial Statements.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

On 7 October 2010 IASB published some amendments to IFRS 7 – *Financial instruments: Disclosures,* applicable for accounting periods commencing on or after 1 July 2011. The purpose is to improve understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the

end of a reporting period.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to IFRS 1 – *First-time Adoption of International Financial Reporting Standards* to eliminate the reference to the date 1 January 2004 described as the date of transition to IFRS and to provide guidance on the presentation of financial statements following a period of hyperinflation.
The amendment will be applicable as from 1 July 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to IAS 12 – Income Taxes which requires businesses to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered. Consequently SIC 21 *Income taxes – Recovery of Revalued Non-Depreciable Assets* – will no longer be applicable. The amendment will be applicable as from 1 January 2012.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

B) Segment reporting

3. Reporting by operating segments

The application of IFRS 8 - Operating Segments - is mandatory as of 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.
The previous principle IAS 14 - Segment Reporting - required, on the other hand, that sectors (primary or secondary) be identified on the basis of risks and benefits which refer to the sectors themselves; the reporting system only represents the starting point for this identification.

The information for operating segments presented below reflects the internal reporting utilised by management for making strategic decisions.
During the course of 2008, it should be noted that the Piaggio Group adopted a new organisational structure with a view to focusing Group resources by "functional area" and by "geographical area".
As a result, internal reporting has been modified to reflect this organisational change; it was therefore based on functional areas subdivided into the following geographical areas.

The "Two-Wheeler" and "Commercial Vehicles" divisions are the two functional areas of the Group. They have been identified considering the types of products sold. The results of these functional areas are considered by management in order to assess attained performances.
The business figures and margins are in line with those used in internal reporting.

The functional areas - within the reports provided to management - are further broken down by geographical segment. In particular for the "Two-Wheeler" segment, figures are presented with reference to "Western Countries", and "Asia Pacific". With regards to "Commercial Vehicles" the identified geographical segments are "Europe" and "India".
The above mentioned geographic distribution was adopted by the Group during approval of the 2010-2013 Strategic Plan resolved by the Board of Directors on 22 September 2010. For comparison purposes, published 2009 data have been reprocessed according to the new organisational logic.

The following income statement analysis provides information on the contribution in relation to the consolidated values of the "Two-Wheeler" and "Commercial Vehicles" functional areas.
As previously illustrated in comments on the Piaggio Group financial position and performance, **consolidated EBITDA** was defined as the "Operating Income" gross of amortisation/depreciation of intangible assets and amortisation/depreciation of plant, property and equipment, as reported within the consolidated income statement.

Consolidated income statement/ net employed capital by operating SEGMENTS

		Two-Wheeler Vehicles			Commercial Vehicles			Total
		Western Countries	**Asia Pacific**	**Total**	**Europe**	**India**	**Total**	
Sales volumes (unit/000)	2010	335.4	59.5	**395.0**	13.8	219.6	**233.4**	**628.4**
	2009	373.2	37.1	**410.3**	15.7	181.7	**197.4**	**607.7**
	Change	(37.8)	22.4	**(15.3)**	(1.9)	37.9	**36.1**	**20.7**
	Change %	-10.1%	60.4%	**-3.7%**	-11.9%	20.9%	**18.3%**	**3.4%**
Net turnover (millions of €)	2010	854.9	133.2	**988.1**	108.4	388.9	**497.3**	**1,485.4**
	2009	981.1	84.3	**1,065.4**	134.7	286.8	**421.5**	**1,486.9**
	Change	(126.2)	48.9	**(77.3)**	(26.3)	102.1	**75.8**	**(1.5)**
	Change %	-12.9%	58.0%	**-7.3%**	-19.5%	35.6%	**18.0%**	**-0.1%**
Gross margin (millions of €)	2010	280.9	49.8	**330.7**	26	105.6	**131.6**	**462.3**
	2009	321.6	27.3	**348.9**	35.7	82.6	**118.3**	**467.1**
	Change	(40.7)	22.5	**(18.2)**	(9.7)	23.0	**13.3**	**(4.8)**
	Change %	-12.7%	82.6%	**-5.2%**	-27.2%	27.9%	**11.3%**	**-1.0%**
EBITDA (millions of €)	2010							**197.1**
	2009							**200.8**
	Change							**(3.7)**
	Change %							**-1.8%**
EBIT (millions of €)	2010							**111.1**
	2009							**104.4**
	Change							**6.7**
	Change %							**6.4%**
Net income (millions of €)	2010							**42.8**
	2009							**47.4**
	Change							**(4.6)**
	Change %							**-9.7%**
Capital employed (millions of €)	2010	458.4	81.0	**539.3**	96.7	156.8	**253.5**	**792.8**
	2009	474.2	56.2	**530.4**	89.2	156.2	**245.4**	**775.8**
	Change	(15.8)	24.8	**8.9**	7.5	0.6	**8.1**	**17.0**
	Change %	-3.3%	44.1%	**1.7%**	8.4%	0.4%	**3.3%**	**2.2%**
Of which receivable (millions of €)	2010	840.7	119.4	**960.1**	150.8	256.9	**407.7**	**1,367.8**
	2009	884.7	100.7	**985.5**	153.9	221.1	**375.0**	**1,360.5**
	Change	(44.0)	18.6	**(25.4)**	(3.1)	35.8	**32.7**	**7.4**
	Change %	-5.0%	18.5%	**-2.6%**	-2.0%	16.2%	**8.7%**	**0.5%**
Of which payable (millions of €)	2010	382.4	38.4	**420.8**	54.1	100.1	**154.2**	**575.0**
	2009	410.6	44.6	**455.2**	64.6	64.9	**129.5**	**584.7**
	Change	(28.2)	(6.2)	**(34.4)**	(10.5)	35.2	**24.7**	**(9.7)**
	Change %	-6.9%	-13.9%	**-7.6%**	-16.3%	54.4%	**19.1%**	**-1.7%**

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C) information on the consolidated income statement

4. Net revenues €/000 1,485,351

Revenues are shown net of premiums recognised to customers (dealers).
This item does not include transport costs, which are recharged to customers (€/000 25,145) and invoiced advertising cost recoveries (€/000 6,845), which are posted under other operating income.
The revenues for disposals of Group core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets.

Revenues by business segment

The breakdown of revenues by business segment is shown in the following table:

	2010		2009		Change	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
Two-Wheeler Vehicles	988,104	66.52	1,065,417	71.65	(77,313)	-7.26
Commercial Vehicles	497,247	33.48	421,465	28.35	75,782	17.98
Total	**1,485,351**	**100.00**	**1,486,882**	**100.00**	**(1,531)**	**-0.10**

Revenues by geographical segment

The breakdown of revenues by geographical segment is shown in the following table:

	2010		2009[1]		Change	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
In thousands of Euros						
EMEA	938,832	63.21	1,054,566	70.92	(115,734)	-10.97
Americas	24,392	1.64	61,255	4.12	(36,863)	-60.18
India	388,882	26.18	286,753	19.29	102,129	35.62
Pacific Asia	133,245	8.97	84,308	5.67	48,937	58.05
Total	**1,485,351**	**100.00**	**1,486,882**	**100.00**	**(1,531)**	**-0.10**

1_ The geographic breakdown of 2009 revenues was revised based on the new organisation of business areas.

In 2010 net sales revenues were on the whole stable compared to figures for the previous year. The increases recorded on the Asian and Indian markets offset the downturns on the European and American markets.
In this regard, 2009 figures include six months of operations at the Vietnamese site, which was inaugurated on 24 June 2009.

5. Costs for materials *€/000 881,075*

These totalled €/000 881,075 compared to €/000 871,653 in 2009.
The percentage of costs accounting for net revenues went up from 58.6% in 2009 to 59.3% in the current period, due to the greater impact of total production on commercial vehicles, particularly those for the Indian market, where the percentage accounting for turnover was higher than the Group average, considering that engines are currently sourced from external suppliers and the lower impact of manpower.
The following table details the content of this financial statement item:

	2010	2009	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	864,524	868,058	(3,534)
Change in inventories of raw, ancillary materials, consumables and goods	10,592	(4,307)	14,899
Change in work in progress of semifinished and finished products	5,959	7,902	(1,943)
Total costs for purchases	**881,075**	**871,653**	**9,422**

This item includes €/000 40,582 for costs relative to purchases of scooters from the Chinese subsidiary Zongshen Piaggio Foshan, which are sold on European and Asian markets.

6. Costs for services and lease and rental costs *€/000 258,358*

Below is a breakdown of this item:

	2010	2009	Change
In thousands of Euros			
Employee costs	18,655	17,069	1,586
Maintenance and cleaning	6,887	6,368	519
Energy, telephone and telex	17,918	16,486	1,432
Postal expenses	581	612	(31)
Commissions paid	899	2,769	(1,870)
Advertising and promotion	31,899	31,462	437
Technical, legal and tax consultancy and services	32,014	32,194	(180)
Company boards operating costs	2,248	1,967	281
Insurance	3,767	3,359	408
Third party work	18,811	21,917	(3,106)
Transport costs and spare parts	48,198	48,956	(758)
Sundry commercial expenses	17,982	23,282	(5,300)
Expenses for public relations	3,494	4,143	(649)
Product warranty costs	14,947	15,194	(247)
Bank costs and factoring charges	4,792	5,641	(849)
Costs for use of leases and rentals	14,801	14,261	540
Other	15,480	23,625	(8,145)
Services from companies of the Group	4,985	2,760	2,225
Total costs for services	**258,358**	**272,065**	**(13,707)**

Savings of €/000 13,707 were generated from ongoing cost control.
Lease and rental costs include lease rentals for business properties of €/000 5,604, as well as lease payments for car hire, computers and photocopiers.
Third party work of €/000 18,811 refers to processing of production parts.
The item "Other" includes costs for temporary work of €/000 244.

7. Employee costs *€/000 240,115*

Employee costs are broken down as follows:

	2010	2009	Change
In thousands of Euros			
Salaries and wages;	175,984	178,911	(2,927)
Social security contributions	46,992	49,105	(2,113)
Post-employment benefits	9,516	9,103	413
Other costs:	7,623	5,797	1,826
Total	**240,115**	**242,916**	**(2,801)**

Employee costs decreased in absolute terms by €/000 2,801 compared to figures for the previous year (- 1.2%). The reduction is due to the considerable decrease in average unit costs, thanks to the Vietnamese site being full operative, whereas it had only operated for six months in 2009. This effect made it possible to offset the increase due to higher average staff numbers. Employee costs include €/000 2,650 relating to stock option costs which were recorded in accordance with international financial accounting standards.
Below is a breakdown of the headcount by actual number and average number:

Level	Average number	2010	2009	Change
Senior Management		109	111	(2)
Middle Management		465	433	32
White collars		2,088	2,039	49
Manual labour		4,939	4,565	374
Total		**7,601**	**7,148**	**453**

Level	Number as of	31/12/2010	31/12/2009	Change
Senior Management		107	109	(2)
Middle Management		487	441	46
White collars		2,076	2,063	13
Manual labour		4,859	4,687	172
Total		**7,529**	**7,300**	**229**

The increase in employee numbers is mainly attributable to the Indian and Vietnamese subsidiaries.
Average employee numbers were affected by seasonal workers in the summer (on fixed-term employment contracts).
In fact the Group uses fixed-term employment contracts to handle typical peaks in demand in the summer months.
Movements in employee numbers in the two periods are compared below:

	As of 31/12/09	Incoming	Leavers	Relocations	As of 31/12/10
Senior Management	109	12	(15)	1	107
Middle Management	441	65	(55)	36	487
White collars	2,063	321	(286)	(22)	2,076
Manual workers	4,687	1,274	(1,087)	(15)	4,859
Total (*)	**7,300**	**1,672**	**(1,443)**	**0**	**7,529**
(*) of which fixed-term contracts	1,021	1,204	(903)	(45)	1,277

8. Amortisation, depreciation and impairment costs — *€/000 86,006*

Amortisation and depreciation for the period, divided by category, is shown below:

Property, plant and equipment	2010	2009	Change
In thousands of Euros			
Buildings	4,044	3,957	87
Plant and equipment	13,479	12,546	933
Industrial and commercial equipment	16,392	18,428	(2,036)
Other assets	1,964	2,217	(253)
Total depreciation of tangible fixed assets	**35,879**	**37,148**	**(1,269)**

Intangible assets	2010	2009	Change
In thousands of Euros			
Development costs	26,362	31,941	(5,579)
Industrial patent rights and intellectual property rights	13,990	17,113	(3,123)
Concessions, licences, trademarks and similar rights	9,038	9,194	(156)
Other	737	982	(245)
Total amortisation of intangible fixed assets	**50,127**	**59,230**	**(9,103)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2004, goodwill is no longer amortised, but tested annually for *impairment.*
The *impairment* test carried out as of 31 December 2010 confirmed the full recoverability of the amounts recorded in the financial statements.

9. Other operating income — *€/000 121,128*

This item consists of:

	2010	2009	Change
In thousands of Euros			
Operating grants	4,164	7,428	(3,264)
Increases in fixed assets from internal work	37,093	35,204	1,889
Sundry sales and income:			
- Rent receipts	552	11,459	(10,907)
- Capital gains on assets and equity investments	2,264	120	2,144
- Sale of miscellaneous materials	956	516	440
- Recovery of transport costs	25,145	30,062	(4,917)
- Recovery of advertising costs	6,845	7,635	(790)
- Recovery of sundry costs	11,782	16,228	(4,446)
- Compensation	3,082	3,419	(337)
- Licence rights and know-how	3,320	3,387	(67)
- Sponsorship	5,135	5,695	(560)
- Other income	20,790	14,785	6,005
Total other operating income	**121,128**	**135,938**	**(14,810)**

Other operating income decreased by €/000 14,810 compared to figures for 2009.
The reduction is mainly connected with the decrease in rent receipts for the hire of racing bikes, as the Group stopped taking part in the 250cc class World Championships, and did not take part in the Moto2 Class World Championships. The item recovery of transport costs refers to expenses charged to customers, which are classified under “services”.

Operating grants mainly refer to government and EU funding for research projects. €/000 1,733 of these grants refers to the benefit arising from tax receivables for research and development activities as provided for by article 1 sections 280-284 of Law no. 296/2006 (2007 Budget) amended by Law 244/2007 (2008 Budget). The grants are recognised in profit or loss, with reference to the amortisation/depreciation of capitalised costs for which the grants were received.
Capital gains on assets mainly refer to the sale of property in Corso Sempione, Milan.

10. Other operating costs *€/000 29,821*

This item consists of:

	2010	2009	Change
In thousands of Euros			
Allocations for future risks	4,046	5,263	(1,217)
Total allocations for risks	**4,046**	**5,263**	**(1,217)**
Allocation for product warranties	14,016	14,308	(292)
Total other allocations	**14,016**	**14,308**	**(292)**
Non-income tax and duties	4,314	4,515	(201)
Various subscriptions	851	823	28
Social charges	281	295	(14)
Capital losses from disposal of assets	24	203	(179)
Miscellaneous expenses	4,534	2,620	1,914
Losses on receivables		0	0
Total sundry operating expenses	**10,004**	**8,456**	**1,548**
Impairment of development costs	36	2,262	(2,226)
Impairment of property, plant and equipment	33	215	(182)
Impairment of receivables in working capital	1,686	4,883	(3,197)
Total impairment	**1,755**	**7,360**	**(5,605)**
Total	**29,821**	**35,387**	**(5,566)**

Overall, other operating costs decreased by €/000 5,566. This change is mainly due to less impairment and fewer allocations for risks compared to the previous year.

11. Net income from equity investments *€/000 5,252*

Net income from equity investments mainly concerns the impairment reversal relative to the Zongshen Piaggio Foshan joint venture (€/000 5,285) as well as the affiliated Tunisian company SAT.

12. Net financial income/(borrowing costs) *€/000 (32,532)*

Financial income and borrowing costs are detailed below:

In thousands of Euros	2010	2009	Change
Income:			
- Interest receivable from affiliated companies	3		3
- Interest receivable from clients	248	171	77
- Bank and post office interest payable	1,625	1,445	180
- Interest payable on financial receivables	349	1,669	(1,320)
- Other	666	1,170	(504)
Total financial income	**2,891**	**4,455**	**(1,564)**

In thousands of Euros	2010	2009	Change
Borrowing costs payable to equity companies	144	161	(17)
Borrowing costs payable to others:			0
- Interests payable on a debenture loan	11,846	12,440	(594)
- Interest payable on bank accounts	24	1,217	(1,193)
- Interest payable on bank loans	8,845	10,844	(1,999)
- Interest payable to other lenders	2,508	3,550	(1,042)
- Cash discounts to clients	944	1,184	(240)
- Bank charges on loans	436	435	1
- Borrowing costs of discounting termination benefits	2,637	2,670	(33)
- Interest payable on lease agreements	207	426	(219)
- Other	6,314	348	5,966
Total borrowing costs Vs other costs	33,761	33,114	647
Total borrowing costs	**33,905**	**33,275**	**630**

In thousands of Euros	2010	2009	Change
Exchange gains	19,146	9,652	9,494
Exchange losses	20,664	11,610	9,054
Total net exchange gains/(losses)	**(1,518)**	**(1,958)**	**440**
Net financial income/(borrowing costs)	**(32,532)**	**(30,778)**	**(1,754)**

The balance of financial income (borrowing costs) in 2010 was negative by €/000 32,532, registering an increase compared to the sum of €/000 30,778 of the previous year The item “other” under borrowing costs mainly includes costs relating to the tax assessment conducted during 2010, of which more details are given in the section on “Rulings”. Other items under borrowing costs recorded a decrease, following the reduction in variable interest rates, refinancing of the above debenture loan with more advantageous conditions and a reduction in net average debt for the period.

13. Taxation *€/000 40,983*

The item "Income taxes" is detailed below:

In thousands of Euros	2010	2009	Change
Current taxes	38,716	48,024	(9,308)
Deferred tax liabilities	2,267	(21,350)	23,617
Total	**40,983**	**26,674**	**14,309**

Taxes for 2010 are equal to €/000 40,983, and account for 48.9% of earnings before tax. In 2009, taxes were equal to €/000 26,674, and accounted for 36.0% of earnings before tax. The 2009 tax rate had benefited from the recognition of deferred tax assets related to previous losses.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of Euros	2010
Earnings before tax	83,824
Theoretical rate	27.5%
Theoretical income taxes	**23,051**
Tax effect arising from the difference in foreign tax rates and theoretical Italian rates	(112)
Effect arising from changes in Earnings before tax due to the application of tax regulations	8,139
Reverse deferred tax liabilities allocated in previous years for time changes	(6,115)
Reverse deferred tax assets allocated in previous years for time changes	10,674
Reverse deferred tax assets allocated in previous years for tax losses	6,767
Tax effect arising from taxes on income produced abroad	3,223
Other differences	(3,910)
Expenses (Income) from the National Consolidated Tax Convention	(1,478)
Income taxes referred to previous years	1,027
Tax effect arising from deferred tax liabilities allocated for time changes	8,498
Tax effect arising from deferred tax assets allocated for time changes and tax losses	(17,775)
Tax on the distribution of dividends	4,704
Regional production tax and other local taxes	4,290
Income taxes recognised in the financial statement	**40,983**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to earnings before tax. The effect arising from the rate of regional production tax and the Indian dividend distribution tax was determined separately, as these taxes are not calculated on the basis of earnings before tax.

14. Gain/(loss) from assets held for disposal or sale *€/000 0*

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.

15. Earnings per share

Earnings per share are calculated as follows:

		2010	2009
In thousands of Euros			
Net income	€/000	42,841	47,419
Earnings attributable to ordinary shares	€/000	42,841	47,419
Average number of ordinary shares in circulation at		380,363,391	380,363,391[1]
Earnings per ordinary share	€	0.113	0.125
Adjusted average number of ordinary shares		382,790,766	380,683,752
Diluted earnings per ordinary share	€	0.112	0.125

1_Following the cancellation of 24,247,007 shares on 10 May 2010, the average number of shares in circulation in 2009 was recalculated as indicated in IAS 33

The potential effects deriving from stock option plans were considered when calculating diluted earnings per share.

D) Information on the consolidated statement of financial position - assets

16. Intangible assets *€/000 652,622*

The table below shows the breakdown of intangible assets as of 31 December 2010 and 31 December 2009, as well as movements during the period.

	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Total
In thousands of Euros						
Historical cost	165,811	149,427	148,296	557,322	4,825	1,025,681
Provisions for impairment	(2,262)					(2,262)
Accumulated depreciation	(87,077)	(124,720)	(57,884)	(110,382)	(2,102)	(382,165)
Assets as of 31/12/2009	**76,472**	**24,707**	**90,412**	**446,940**	**2,723**	**641,254**
Investments	40,004	18,351			708	59,063
Depreciation	(26,362)	(13,990)	(9,038)		(737)	(50,127)
Disposals	(259)	(2)				(261)
Impairment	(36)					(36)
Exchange differences	3,308	269			223	3,800
Other movements	(5,473)	6,078			(1,676)	(1,071)
Total changes	**11,182**	**10,706**	**(9,038)**	**0**	**(1,482)**	**11,368**
Historical cost	161,457	174,605	148,296	557,322	3,640	1,045,320
Provisions for impairment	(36)	0	0	0	0	(36)
Accumulated depreciation	(73,767)	(139,192)	(66,922)	(110,382)	(2,399)	(392,662)
Assets as of 31/12/2010	**87,654**	**35,413**	**81,374**	**446,940**	**1,241**	**652,622**

Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
Impairment refers to research projects which have been permanently stopped.

Development costs €/000 87,654

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 53,735 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
As regards development costs, new projects capitalised in 2010 mainly refer to the new Piaggio Beverly, MP3 hybrid models and new engines for scooters (350cc) and commercial vehicles (petrol and diesel engines).
Development costs included under this item are amortised on a straight-line basis over 3 years, in consideration of their remaining useful life.
During 2010, development costs of approximately 22.8 million euro were charged directly in profit or loss.

Industrial patents and intellectual property rights €/000 35,413

This item comprises software for €/000 10,731 and patents and know-how. It includes assets under construction for €/000 774.
Patents and know-how mainly refer to the Vespa, GP 800, MP3, RSV4, MP3 hybrid, the 1200 cc engine and NT3 prototype. Increases in the period mainly refer to software to implement the new SAP release for the Parent Company, the SRM platform and sales applications.
Industrial patent and intellectual property rights costs are amortised over three years.

Trademarks, concessions and licences €/000 81,374

The item *Concessions, Licences, Trademarks and similar rights*, is broken down as follows:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Guzzi brand	27,422	30,468	(3,046)
Aprilia brand	53,882	59,869	(5,987)
Minor brands	70	75	(5)
Total Trademarks	**81,374**	**90,412**	**(9,038)**

The gross value of the Aprilia brand is €/000 89,803, while that of Guzzi is €/000 36,559. The values of the Aprilia and Moto Guzzi trademarks are based on an assessment report of an independent third party which was specifically drafted during 2005. The above mentioned trademarks are amortised over a period of 15 years.

Goodwill €/000 446,940

Following the business unit-based reorganisation during 2008, goodwill, as of 31 December 2008, was attributed to cash-generating units.
The above mentioned distribution was adopted by the Group during approval of the 2010-2013 Strategic Plan resolved by the Board of Directors on 22 September 2010. For comparison purposes, published 2009 data have been reprocessed according to the new organisational logic.

	Two-wheeler vehicles			Commercial vehicles			Total
In thousands of Euros	Western Countries	Asia Pacific	Total	Europe	India	Total	
31 12 2010	240,184	31,934	272,118	65,127	109,695	174,822	446,940
31 12 2009	240,184	31,934	272,118	65,127	109,695	174,822	446,940

As specified in the section on accounting standards, from 1 January 2004 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 *Impairment of Assets*(impairment test).
The possibility of reinstating booked values is verified by comparing the net book value of individual cash generating units with the recoverable value (usage value). This recoverable value is represented by the present value of future cash flows which, it is estimated, will be derived from the continual use of goods referring to *cash generating units* and by the final value attributable to these goods.
The recoverability of goodwill is verified at least once per year (as of 31 December), even in the absence of indicators of impairment losses.
The main hypotheses used by the Group to determine future financial flows, relative to a five-year period, and the consequent recoverable value (value in use) refer to:

a. the use of figures from the 2011 budget approved by the Board of Directors on 30 November 2010 for data relative to 2011
b. the use of figures from the Piaggio Group 2010-2013 Plan, approved by the Board of Directors on 22 September 2010 for data relative to 2012 - 2013 years
c. the use of the growth rate g which differs by CGU to obtain figures for 2014, starting from data of the 2013 Plan.
d. the discount rate (WACC)

In particular, to discount cash flows, the Group adopted a discount rate (WACC) which differs based on different cash generating units. This reflects market valuations of the fair value of money and takes account of specific risks of activities and the geographical segment in which the cash generating unit operates. The average weighted discount rate of the Group, net of taxes, is equal to 9.1%.

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value each cash generating unit should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) which differed by CGU, to reflect the different growth potentials of each CGU.

	2W Western Countries	2W Asia Pacific	CV Europa	CV India
WACC	8.1%	12.2%	8.2%	10.1%
G	1.5%	2.5%	1.5%	2.5%

Analyses did not identify any impairment losses. Therefore no impairment was recognised in consolidated data as of 31 December 2010.
In addition, and on the basis of information in the document produced jointly by the Bank of Italy, Consob and Isvap (the insurance watchdog) no. 2 of 6 February 2009, the Group conducted sensitivity analysis of test results in relation to changes in basic assumptions (use of the growth rate in producing the final value and discount rate) which affect the value in use of cash generating units.

In all cases, the value in use of the Group was higher than the net carrying amount tested.

Given that the recoverable value was estimated, the Group cannot ensure that there will be no impairment losses of goodwill in future financial periods.
Given the current market crisis, the various factors utilised in the estimates could require revision; the Piaggio Group will constantly monitor these factors as well as the existence of impairment losses.

Goodwill derives from the greater value paid compared to the corresponding portion of the subsidiaries shareholders' equity at the time of purchase, less the related accumulated amortisation/depreciation until 31 December 2003. During first-time adoption of the IFRS, the Group opted not to retroactively apply IFRS 3 - Business Combinations to acquisitions of companies that took place before 1st January 2004. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
For all the transactions listed below, the difference between the carrying amount of the equity investment and the net book value has been attributed to goodwill.
The transactions which gave rise to this item are:
› the acquisition by MOD S.p.A. of the Piaggio & C. Group, completed during 1999 and 2000 (net value as of 1st January 2004: €/000 330,590)
› the acquisition, which was completed in 2001, by Piaggio & C. S.p.A. of 49% of the company Piaggio Vehicles Pvt. Ltd from the partner Greaves Ltd (net value as of 1 January 2004: €/000 5,192). This is in addition to the subsequent acquisition by Simest S.p.A. of a 14.66% stake in the share capital of Piaggio Vehicles Pvt. Ltd; Ltd.;
› the acquisition, by Piaggio & C. S.p.A., of 100% of Nacional Motor S.A. in October 2003, at a price of €/000 35,040 with goodwill net of amortisation/depreciation of €/000 31,237 as of 1 January 2004.
› the acquisition, by Piaggio & C. S.p.A. of 100% of Aprilia S.p.A. in December 2004.

As part of the agreements for the acquisition of Aprilia, the company issued warrants and financial instruments in favour of Banks acting as creditors with respect to Aprilia and the selling shareholders; these could be exercised in periods determined by the respective regulations as of the date of approval of the consolidated financial statements as of 31 December 2007.
The initial purchase cost adjustment relating to the payment of Warrants and EMH Financial Instruments equal to €/000 70,706 was entered as goodwill.

Other intangible assets — €/000 1,241

These totalled €/000 1,241 and mainly consist of charges sustained by Piaggio Vietnam.

17.Property, plant and equipment *€/000 256,759*

The table below shows the breakdown of plant, property and equipment as of 31 December 2010 and 31 December 2009, as well as movements during the period.

	Land	Buildings	Plants and machinery	Equipment	Other assets	Total
In thousands of Euros						
Historical cost	32,150	129,541	324,455	457,106	41,461	984,713
Reversals						0
Provisions for impairment			(189)	(1,360)	(5)	(1,554)
Accumulated depreciation		(39,785)	(246,153)	(411,883)	(34,923)	(732,744)
Assets as of 31/12/2009	**32,150**	**89,756**	**78,113**	**43,863**	**6,533**	**250,415**
Investments		3,636	14,900	15,177	3,419	37,132
Depreciation		(4,044)	(13,479)	(16,392)	(1,964)	(35,879)
Disposals		(1,292)	(198)	(66)	(27)	(1,583)
Impairment				(12)	(21)	(33)
Exchange differences		1,295	4,235	13	202	5,745
Other movements	(306)	137	1,073	0	58	962
Total changes	**(306)**	**(268)**	**6,531**	**(1,280)**	**1,667**	**6,344**
Historical cost	31,844	132,925	343,666	470,297	44,081	1,022,813
Reversals						0
Provisions for impairment				(1,338)	(21)	(1,359)
Accumulated depreciation		(43,437)	(259,022)	(426,376)	(35,860)	(764,695)
Assets as of 31/12/2010	**31,844**	**89,488**	**84,644**	**42,583**	**8,200**	**256,759**

Increases mainly refer to moulds for new vehicles launched during the year, as well as the construction of the new engine manufacturing site in India.

Land €/000 31,844

Land is not depreciated.
Land mainly refers to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco) and Barcelona (Spain). The item also includes land at Pisa and Lugnano which was transferred in December 2009 by the Parent Company to a property fund, consolidated on a line-by-line basis.

Buildings €/000 89,488

The item *Buildings*, net of accumulated depreciation, comprises:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Industrial buildings	84,911	84,415	496
Ancillary buildings	614	821	(207)
Lightweight constructions	325	361	(36)
Assets under construction	3,638	4,159	(521)
Total	**89,488**	**89,756**	**(268)**

Industrial buildings refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam). The item also includes buildings at Pisa and Lugnano which were transferred in December 2009 by the Parent Company to a property fund, consolidated on a line-by-line basis.

As of 31 December 2010, the net values of assets held under leases were as follows:

	As of 31 December 2010
In thousands of Euros	
Mandello del Lario site (land and building)	13,431
EDP (other assets)	4
Total	**13,435**

Future lease rental commitments are detailed in note 32.
Buildings are depreciated on a straight-line basis using rates considered suitable to represent their useful life.
Production buildings are depreciated on the basis of rates between 3% and 5%, while lightweight constructions are depreciated using rates between 7% and 10%.

Plants and machinery €/000 84,644

The item *Plant and equipment*, net of accumulated depreciation, consists of:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Non-specific plants	47,553	37,022	10,531
Automatic equipment	5,162	6,246	(1,084)
Furnaces and sundry equipment	593	661	(68)
Other	13,433	13,174	259
Assets under construction	17,903	21,010	(3,107)
Total	**84,644**	**78,113**	**6,531**

Plants and machinery refer to Group production facilities in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Barcelona (Spain), Baramati (India) and Vinh Phuc (Vietnam).
The "Other" item mainly includes non-automatic machinery and robotic centres.

Plant and equipment are depreciated using the following rates:
- non-specific plants: 10%;
- specific plants and non-automatic operating machinery: 10%;
- specific plants and automatic operating machinery: 17.5%;
- furnaces and sundry equipment: 15%;
- robotic work centres: 22%.

Assets under construction amount to €/000 17,903.

Equipment €/000 42,583

The item *Equipment,* equal to €/000 42,582 mainly comprises production equipment of Piaggio & C. S.p.A., Nacional Motor S.A., Piaggio Vehicles Pvt. Ltd. and Piaggio Vietnam Co Ltd already being depreciated and assets under construction amounting to €/000 13,317.
Main investments in equipment concerned moulds for new vehicles launched during the year or scheduled to be launched in the first half of next year, moulds for new engines and specific equipment for assembly lines.
Industrial and commercial equipment is depreciated using rates considered appropriate by Group companies to represent its useful life and in particular:
- testing and monitoring equipment: 30%;
- miscellaneous and small-scale equipment: 25%.

Other property, plant and equipment €/000 8,200

As of 31 December 2010 the item *Other* assets comprised the following:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
EDP systems	1,262	2,031	(769)
Office furniture and equipment	3,551	2,205	1,346
Vehicles	1,267	1,255	12
Other	273	386	(113)
Assets under construction	1,847	656	1,191
Total	**8,200**	**6,533**	**1,667**

Impairment reversals of fixed assets

The Parent Company still has assets subject to impairment reversals in compliance with specific regulations or during merger operations.

The table below gives detailed figures for financial statement items and with reference to the legal provision or merger operation.

	Impairment reversal Law 575/65 and 72/83	Impairment reversal For 1986 merger	Impairment reversal Econ. 1988	Impairment reversal Law 413/91	Impairment reversal in departure of article 2425	Impairment reversal 1990 merger	Impairment reversal 1996 merger	Impairment reversal Law 242/2000	Total impairment reversal
In thousands of Euros									
Tangible assets									
Industrial buildings	480	-	584	415	120	1,668	1,549	-	4,816
Plants and machinery	133	263	-	-	-	42	-	1,930	2,368
Industrial and commercial equipment	-	331	-	-	-	2,484	-	3,438	6,253
Office furniture and equipment	-	58	-	-	-	101	-	-	159
Electronic office equipment	-	-	-	-	-	27	-	-	27
Transport equipment	-	-	-	-	-	13	-	-	13
Total tangible assets	613	652	584	415	120	4,335	1,549	5,368	13,636
Intangible assets									
Aprilia brand	-	-	-	-	-	21,691	-	25,823	47,514
Guzzi brand	103	-	-	-	258	-	-	-	361
Total intangible assets	103	-	-	-	258	21,691	-	25,823	47,875
General total	**716**	**652**	**584**	**415**	**378**	**26,026**	**1,549**	**31,191**	**61,511**

Guarantees

As of 31 December 2010, the Group had land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

18.Investment Property *€/000 0*

As of 31 December 2010 no investment property was held.

19. Equity investments *€/000 194*

The Equity investments heading comprises:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Equity investments in subsidiaries			
Interests in joint ventures			
Equity investments in affiliated companies	194	239	(45)
Total	**194**	**239**	**(45)**

The decrease was relative to the impairment loss of the equity investment in the Tunisian company S.A.T. Societè d'Automobiles et Tripoteurs S.A.

Equity investments in subsidiaries €/000 0

Subsidiaries	Carrying amount as of 31 December 2010
In thousands of Euros	
Accounted for with the equity method:	
Piaggio China Co. Ltd	0
Aprilia Brasil SA	0
Aprilia World Service do Brasil Ltd	0
Total subsidiaries	**0**

As concerns subsidiaries, the only change taking place during the year, to be reported, is the establishment of a new selling agency "Piaggio Group Canada Inc." in Canada, on 12 March 2010.

Equity investments in joint ventures €/000 0

Joint venture	Carrying amount as of 31 December 2010
In thousands of Euros	
Accounted for using the equity method:	
Zongshen Piaggio Foshan Motorcycles Co. Ltd – China	0
Total joint ventures	**0**

The equity investment in Zongshen Piaggio Foshan Motorcycles Co. Ltd was classified under the item *"joint ventures"* in relation to agreements made in the contract signed on 15 April 2004 between Piaggio & C. S.p.A. and its historical partner Foshan Motorcycle Plant, and the Chinese company Zongshen Industrial Group Company Limited.
The equity investment of Piaggio & C. S.p.A. in Zongshen Piaggio Foshan Motorcycles is equal to 45% of which 12.5% is held through the direct subsidiary Piaggio China Company Ltd.. The carrying amount of the equity investment is equal to zero and reflects shareholders' equity pro-quota adjusted to take into account the measurement criteria adopted by the Group.

The table below summarises main financial data of the joint ventures:

1_Percentage of ownership of the Group

Zongshen Piaggio Foshan Motorcycle Co.	Financial Statements as of 31 December 2010	
In thousands of Euros		45% [1]
Working capital	1,552	698
Total assets	12,925	5,816
Net capital employed	**14,477**	**6,515**
Provisions	1,099	495
Debt	3,074	1,383
Shareholders' equity	10,304	4,637
Total sources of financing	**14,477**	**6,515**

Investments in Associates €/000 194

Movements for the period are shown below.

Affiliated companies	Carrying amount as of 31 December 2009	Impairment	Carrying amount as of 31 December 2010
In thousands of Euros			
Accounted for using the cost method:			0
Immsi Audit S.c.a.r.l.	10		10
S.A.T. S.A. – Tunisia	45	(45)	0
Acciones Depuradora	3		3
Pontech Soc. Cons. a.r.l. – Pontedera	181		181
Total affiliated companies	**239**	**(45)**	**194**

20. Other non-current financial assets *€/000 334*

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Financial receivables due from affiliated Companies		9	(9)
Financial receivables due from third parties	169	169	0
Equity investments in other companies	165	165	0
Total	**334**	**343**	**(9)**

Financial receivables from third parties are related to the liquidation of the company Motoride.
The item equity investments in other companies did not change compared to figures of the previous year and is broken down as follows:

Other companies (Accounted for using the cost method)	Carrying amount as of 31 December 2010
In thousands of Euros	
Sviluppo Italia Liguria S.c.p.a.	5
Consorzio Pisa Ricerche	76
A.N.C.M.A. - Roma	2
GEOFOR S.p.A.- Pontedera	47
ECOFOR SERVICE S.p.A. - Pontedera	2
FGM & CC S.p.A. (formerly Consorzio Fiat Media Center) - Torino	3
S.C.P.S.T.V.	21
IVM	9
Mitsuba Italia S.p.A.	0
Total other companies	**165**

21. Current and non-current tax receivables *€/000 45,167*

Receivables due from tax authorities consist of:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
VAT receivables	40,255	22,792	17,463
Tax receivables in the form of reimbursement	1,942	1,865	77
Other receivables due from the public authorities	2,970	4,312	(1,342)
Total tax receivables	**45,167**	**28,969**	**16,198**

Non-current tax receivables amounted to €/000 967 compared to €/000 4,990 as of 31 December 2009, while current receivables amounted to €/000 44,200 compared to €/000 23,979 as of 31 December 2009, mainly due to the increase in VAT receivable of the Parent Company and Indian subsidiary.

22. Deferred tax assets *€/000 46,294*

Deferred tax assets totalled €/000 46,294, slightly down on the figure of €/000 46,462 as of 31 December 2009. Compared to 2009, when more deferred tax assets were paid, the use and new recognition of deferred tax assets was mainly balanced in 2010, in view of the effects of temporary changes and of tax losses that could be offset by income to be generated in future tax periods.

As part of measurements to define deferred tax assets, the Group mainly considered the following:
1. tax regulations of countries where it operates, the impact of regulations in terms of temporary differences and any tax benefits arising from the use of previous tax losses, considering payment dates;
2. the business results expected for each company, in the mid term, and the economic and tax effects arising from implementation of the organisational structure.

In view of these considerations, and with a prudential approach, it was decided to not wholly recognise the tax benefits arising from losses that can be carried over and from temporary differences.

As of 31 December 2010	Amount of temporary differences	Tax rate	Tax effect	Recognised	Not recognised
In thousands of Euros					
	11,002	27.5% -31.4%	3,379		
	37	38.50%	14		
	499	22.50%	112		
	2,037	37.39%	762		
Provisions for risks	**13,575**		**4,268**		
	14,815	31.40%	4,652		
	97	38.50%	37		
	502	37.39%	188		
Product warranty provision	**15,413**		**4,877**		
	20,550	27.50%	5,651		
	1,123	37.39%	420		
Provisions for bad debts	**21,673**		**6,071**		
	31,123	31.40%	9,773		
	617	22.00%	136		
	2,918	37.39%	1,091		
	77	20.00%	15		
Provisions for obsolete stock	**34,736**		**11,015**		
	33,347	27.5% -31.4%	10,361		
	180	33.33%	60		
	663	31.86%	211		
	4,349	33.22%	1,445		
	264	20.00%	53		
	69	28.00%	19		
	615	38.50%	237		
	3,610	25.00%	903		
	5,181	34.7%-37.39%	1,874		
	424	27.50%	117		
Other changes	**48,703**		**15,279**		
Total on provisions and other changes	**134,100**		**41,509**	**36,123**	**5,386**
Piaggio &C	29,349	27.50%	8,071		
Nacional Motor	15,842	30.00%	4,753		
Piaggio Japan	120	38.50%	46		
PGA	25,422	37.39%	9,505		
Derbi Racing SL	8,465	30.00%	2,539		
Total on tax losses	**79,198**		**24,915**	**10,171**	**14,744**
General total				**46,294**	**20,130**

23. Current and non-current trade receivables *€/000 90,421*

As of 31 December 2010 current trade receivables amounted to €/000 90,421 compared to €/000 103,164 as of 31 December 2009.
No non-current trade receivables were recorded for either period.

Their breakdown was as follows:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Trade receivables	88,211	102,687	(14,476)
Receivables due from Group companies valued at equity	2,198	460	1,738
Receivables due from the Parent Company		12	(12)
Receivables due from affiliated companies	12	5	7
Total	**90,421**	**103,164**	**(12,743)**

Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan Motorcycle. Receivables due from affiliated companies include amounts due from the Fondazione Piaggio and Immsi Audit.

The item "Trade receivables" comprises receivables referring to normal sale transactions, recorded net of provisions for risks of €/000 26,023.
Movements of provisions were as follows:

In thousands of Euros	
As of 31 December 2009	**25,923**
Increases for allocations	1,572
Decreases for use	(1,472)
As of 31 December 2010	**26,023**

The Group sells a large part of its trade receivables with and without recourse. The Piaggio Group has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories. As of 31 December 2010, trade receivables still due sold without recourse totalled €/000 75,617, of which the Group received payment prior to the natural maturity of the receivables for €/000 72,396. As of 31 December 2010, receivables sold with recourse by factoring companies and banks amounted to €/000 26,852, with a counter entry under current liabilities.

24. Other current and non-current receivables *€/000 35,955*

Other non-current receivables totalled €/000 12,655 against €/000 12,914 as of 31 December 2009, whereas other current receivables totalled €/000 23,300 compared to €/000 24,198 as of 31 December 2009. They consist of:

Other non-current receivables	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
due from Group companies valued at equity	138	138	0
due from affiliated companies	305	321	(16)
due from others	12,212	12,455	(243)
Total non-current portion	**12,655**	**12,914**	**(259)**

Receivables due from Group companies valued at equity comprise amounts due from AWS do Brasil.
Receivables due from affiliated companies regard amounts due from the Fondazione Piaggio.

Other current receivables	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Receivables due from the Parent Company	5,795	3,960	1,835
Receivables due from Group companies valued at equity	134	57	77
Receivables due from affiliated companies	54	49	5
Receivables due from others	17,317	20,132	(2,815)
Total current portion	**23,300**	**24,198**	**(898)**

Receivables due from the Parent Company regard the assignment of tax receivables that took place within the group consolidated tax procedure.
Receivables due from Group companies valued at equity comprise amounts due from Zongshen Piaggio Foshan.
Receivables due from affiliated companies are amounts due from the Fondazione Piaggio and Immsi Audit.

25. Inventories *€/000 240,066*

This item comprises:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Raw materials and consumables	97,315	107,450	(10,135)
Provisions for impairment	(12,705)	(12,900)	195
Net value	*84,610*	*94,550*	*(9,940)*
Work in progress and semifinished products	24,834	21,475	3,359
Provisions for impairment	(852)	(852)	0
Net value	*23,982*	*20,623*	*3,359*
Finished products and goods	156,644	160,861	(4,217)
Provisions for impairment	(25,170)	(23,736)	(1,434)
Net value	*131,474*	*137,125*	*(5,651)*
Advances		198	(198)
Total	**240,066**	**252,496**	**(12,430)**

26. Other current financial assets *€/000 23,051*

This item comprises:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Investments in securities	23,051	4,127	18,924
Total	**23,051**	**4,127**	**18,924**

The item securities refers to current Italian government securities, purchased by Piaggio & C. S.p.A and available for sale.

The value as of 31 December 2009 referred to the undersigning of depositary receipt issued by an Indian public welfare institute, by the Indian subsidiary, to effectively use temporary liquid funds.

27. Cash and cash equivalents *€/000 154,859*

The item, which mainly includes short-term and on demand bank deposits, is broken down as follows:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Bank and post office deposits	129,475	190,796	(61,321)
Cash and assets in hand	384	336	48
Securities	25,000	9,107	15,893
Total	**154,859**	**200,239**	**(45,380)**

The item Securities refers to a swap with securities of an Italian bank, undertaken by the Parent Company to effectively use temporary liquid funds.

28. Assets held for sale *€/000 0*

As of 31 December 2010, there were no assets held for sale.

29. Breakdown of assets by geographical segment

As regards the breakdown of assets by geographical segment, reference is made to the section on segment reporting.

30. Receivables due after 5 years *€/000 0*

As of 31 December 2010, there were no receivables due after 5 years.

Information on the consolidated statement of financial position - liabilities

31. Share capital and reserves *€/000 442,890*

Share capital €/000 203,348

The change in share capital during the period was as follows:

In thousands of Euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2009	(14,325)
Share capital as of 1 January 2010	191,616
Cancellation of treasury shares	12,608
Purchase of treasury shares	(876)
Share Capital as of 31 December 2010	**203,348**

On 16 April 2010 the General Meeting of Shareholders of Piaggio & C, resolved to annul 24,247,007 treasury shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital. As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C., fully subscribed and paid up, has not changed and amounts to € 205,941,272.16 divided into 371,793,901 ordinary shares.

During the period, following the resolution passed at the General Meeting of Shareholders on 16 April 2009, the Parent Company purchased 1,582,711 treasury shares.
Therefore, as of 31 December 2010 the Parent Company held 4,882,711 treasury shares, equal to 1.31% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

Share premium reserve €/000 3,493

The share premium reserve as of 31 December 2010 was unchanged and equal to €/000 3,493.

Legal reserve €/000 11,299

The legal reserve increased by €/000 2,303 as a result of the allocation of earnings for the last period.

Other provisions €/000 4,986

This item consists of:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Conversion reserve	(1,850)	(5,468)	3,618
Stock option reserve	11,929	9,279	2,650
Financial instruments' fair value reserve	(227)	127	(354)
IFRS transition reserve	(5,859)	(5,859)	0
Total other provisions	*3,993*	*(1,921)*	*5,914*
Consolidation reserve	993	993	0
Total	**4,986**	**(928)**	**5,914**

The financial instruments fair value reserve equal to €/000 - 227 concerned the effect of recognising the

cash flow hedge of currency futures based respectively on purchase flows and turnovers estimated in the budget, described in more detail in the note on financial instruments.

The consolidation reserve was generated after the acquisition - in the month of January 2003 - of the shareholding in Daihatsu Motor Co. Ltd in P&D S.p.A., equal to 49% of the share capital, by Piaggio & C. S.p.A.

Distributed dividends €/000 25,765

In May 2010, dividends totalling €/000 25,765 were paid. In May 2009, dividends totalling €/000 22,117 were paid.

Performance reserve €/000 218,151

Non-controlling interests capital and reserves €/000 1,613

The end of period amount refers to non-controlling interests in Piaggio Hrvatska Doo and Piaggio Vietnam.

Other net income (losses) €/000 (354)

The value of Other net income (losses) is composed as follows

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
The effective portion of net income (losses) on cash flow hedging instruments generated in the period	(227)	127	(354)
The effective portion of net income (losses) on cash flow hedging instruments reclassified in the consolidated income statement	(127)	405	(532)
Effective portion of profits (losses) on cash flow hedges	**(354)**	**532**	**(886)**

32. Current and non-current financial liabilities €/000 527,848

During 2010, the Group's overall debt decreased by €/000 28,494, falling from €/000 556,342 to €/000 527,848.

This decrease is mainly attributable to the combined effect of the repayment, using available resources, of portions of loans due and the payment of portions of a loan from the Ministry of Education and Ministry of Economic Development. During 2010, the Indian and Vietnamese subsidiaries benefited from credit lines from International Finance Corporation for USD/000 19,000 and €/000 15,000 respectively. As of 31 December 2010 only the Indian subsidiary had partially drawn on the credit line (USD/000 10,000) contributing to increasing the Group's overall debt.

The Group's net debt fell to €/000 349,938 as of 31 December 2010 from €/ 000 351,976 as of 31 December 2009, as can be seen in the table on net financial debt included in the financial statements.

Non-current financial liabilities totalled €/000 371,048 against €/000 443,164 as of 31 December 2009, whereas other payables included in current liabilities totalled €/000 156,800 compared to €/000 113,178 as of 31 December 2009.

The attached tables summarise the breakdown of financial debt as of 31 December 2010 and as of 31 December 2009, as well as changes for the period.

In thousands of Euros	Book value as of 31/12/2009	Repayments	New issues	Reclassification to the current portion	Exchange delta	Other changes	Book value as of 31/12/2010
Non-current portion:							
Bank financing	289,872		7,794	(83,440)		559	214,785
Bonds	137,665					1,342	139,007
Other medium-/long-term loans:							
- of which leasing	8,262			(791)			7,471
- of which amounts due to other lenders	7,365		6,969	(4,549)			9,785
Total other loans	15,627	0	6,969	(5,340)	0	0	17,256
Total	**443,164**	**0**	**14,763**	**(88,780)**	**0**	**1,901**	**371,048**

	Book value as of 31/12/2009	Repayments	New issues	Reclassification from the non-current portion	Exchange delta	Other changes	Book value as of 31/12/2010
Current portion:							
Current account overdrafts	1,958	(1,852)			(5)		101
Current account payables	22,515		22,889				45,404
Bonds	-						-
Payables due to factoring companies	26,599	(3,344)					23,255
Current portion of medium-/long-term loans:							
- of which leasing	758	(758)		791			791
- of which due to banks	58,812	(59,065)		83,440		(258)	82,929
- of which amounts due to other lenders	2,536	(2,765)		4,549			4,320
Total other loans	62,106	(62,588)	0	88,780	0	(258)	88,040
Total	**113,178**	**(67,784)**	**22,889**	**88,780**	**(5)**	**(258)**	**156,800**

The breakdown of the debt is as follows:

In thousands of Euros	Book value as of 31/12/2010	Book value as of 31/12/2009	Par value as of 31/12/2010	Par value as of 31/12/2009
Bank financing	343,219	373,157	344,379	374,618
Debenture loan	139,007	137,665	150,000	150,000
Other medium-/long-term loans:				
- of which leasing	8,262	9,020	8,262	9,020
- of which amounts due to other lenders	37,360	36,500	37,360	36,500
Total other loans	45,622	45,520	45,622	45,520
Total	**527,848**	**556,342**	**540,001**	**570,138**

The table below shows the debt servicing schedule as of 31 December 2010:

	Notional value as of 31/12/2010	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2012	2013	2014	2015	Beyond
In thousands of Euros								
Bank financing	344,379	128,986	215,393	122,592	28,971	23,811	23,804	16,215
- including opening of credit lines and bank overdrafts	45,505	45,505	0	0	0	0	0	0
- of which medium/long-term bank loans	298,874	83,481	215,393	122,592	28,971	23,811	23,804	16,215
Debenture loan	150,000	0	150,000					150,000
Other medium-/long-term loans:								
- of which leasing	8,262	791	7,471	827	866	5,778	0	0
- of which amounts due to other lenders	37,360	27,575	9,785	3,872	1,588	1,596	1,605	1,124
Total other loans	45,622	28,366	17,256	4,699	2,454	7,374	1,605	1,124
Total	**540,001**	**157,352**	**382,649**	**127,291**	**31,425**	**31,185**	**25,409**	**167,339**

The following table analyses financial debt by currency and interest rate.

	Book value as of 31/12/2009	Book value as of 31/12/2010	Notional value as of 31/12/2010	Applicable interest rate as of 31/12/2010
In thousands of Euros				
Euro	532,874	474,654	487,113	3.87%
Indian Rupee	876			
US Dollar	18,998	39,521	39,215	1.60%
Vietnamese Dong	3,594	7,158	7,158	16.00%
Japanese Yen		2,918	2,918	1.38%
Swiss Franc		3,597	3,597	1.21%
Total currencies other than Euro	23,468	53,194	52,888	3.51%
Total	**556,342**	**527,848**	**540,001**	**3.83%**

Medium and long-term bank debt amounts to €/000 297,714 (of which €/000 214,785 non-current and €/000 82,929 current) and mainly consists of the following loans:

- a €/000 117,857 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortization quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- a €/000 89,396 (par value €/000 90,000) medium-term loan from a pool of banks granted in July 2009 to the Parent Company by Banca Nazionale del Lavoro as banking agent and paid in August 2009. The loan will fall due in August 2012, with an initial grace period of 18 months and three six-monthly instalments. The economic terms provide for a variable interest rate linked to the six-month Euribor rate plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% based on the Net financial debt / Ebitda ratio (as of 31 December 2010 this margin was equal

to 1.65%). Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;

- €/000 55,250 (par value €/000 55,500) loan to the Parent company from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and is part of a more articulated loan package. The loan package consisted of an initial instalment of €/000 150,000 (nominal value) which has been fully drawn on (as of 31 December 2010 €/000 55,500 was still due) and a second instalment of €/000 100,000 to be used as a credit line (as of 31 December 2010 still not used). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan instalment, a variable interest rate linked to the six-month Euribor rate to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio (as of 31 December 2010 this margin was equal to 0.90%). For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- a €/000 18,750 five-year unsecured loan from Interbanca entered into in September 2008;
- a €/000 614 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- €/000 2,691 as a non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group following the acquisition charged to the Parent Company; the lump sum due date is in 2011;
- a €/000 1,374 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,104 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST equity investment in the Vietnamese company:
- €/000 7,178 (nominal amount USD/000 10,000) the first instalment of a medium-term loan for a total of USD/000 19,000 from International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited on which interest matures at a variable rate plus a margin of 2.55%. The loan will fall due on 15 January 2018 and has an amortization quota of six-monthly instalments from January 2014. A guarantee has been provided by the Parent Company and, in line with market practice, some financial parameters must be met. It should be noted that, with reference to the 2010 period, these parameters were comfortably met;

The item Bonds amounting to €/000 139,007 (nominal value €/000 150,000) refers to the high-yield debenture loan issued on 4 December 2009 by the Parent Company Piaggio & C. S.p.A., for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's confirmed their ratings of BB and Ba2 in 2010, both revising their outlook from negative to stable.

The items Medium-/long-term bank debt and Bonds include loans which, in accounting terms, have been recognised on an amortised cost basis (pooled loan BNL, pooled loan Mediobanca /Intesa and debenture loan). According to this criterion, the nominal amount of the liability is decreased by the amount of relative costs of issue and/or stipulation, in addition to any costs relating to refinancing of previous liabilities. The amortisation of these costs is determined on an effective interest rate basis, and namely the rate which discounts the future flows of interest payable and reimbursements of capital at the net carrying amount of the financial liability.

Medium-/long-term payables due to other lenders amount to €/000 22,367 (of which €/000 17,256 falling due beyond twelve months; (€/000 5,111 is the current portion of other loans). These are broken down as follows:

- property lease of €/000 8,262 granted by Unicredit Leasing to the merged Moto Guzzi S.p.A. (non-

current portion equal to €/000 7,471);
- subsidised loans for a total of €/000 14,105 provided by the Ministry of Economic Development and Ministry of Education using regulations to encourage exports and investment in research and development (non-current portion of €/000 9,785);

Advances from factoring operations with recourse relative to trade receivables are equal to €/000 23,255.

Financial instruments

Exchange Risk

In 2010, the exchange risk was managed in line with the Group policy, which aims to neutralise the possible negative effects of exchange rate changes on company cash-flow, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.

Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.

As regards contracts in place to hedge the exchange risk of foreign transactions (business risk), as of 31 December 2010 Piaggio & C. S.p.A. had in place the following forward purchase contracts (accounted for on a regulation date basis):
- for a value of CHF/000 4,715 corresponding to €/000 3,777 (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of GBP/000 3,480 corresponding to €/000 4,076 (valued at the forward exchange rate), with average maturity on 14 February 2011;
- for a value of JPY/000 15.000 corresponding to €/000 139 (valued at the forward exchange rate), with average maturity on 18 January 2011;
- for a value of USD/000 4,095 corresponding to €/000 3,096 (valued at the forward exchange rate), with average maturity on 18 January 2011;

and forward sales contracts:
- for a value of CAD/000 6,385 corresponding to €/000 4,749 (valued at the forward exchange rate), with average maturity on 19 January 2011;
- for a value of CHF/000 5,625 corresponding to €/000 4,251 (valued at the forward exchange rate), with average maturity on 27 February 2011;
- for a value of GBP/000 3,270 corresponding to €/000 3,814 (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of JPY/000 158,500 corresponding to €/000 1,432 (valued at the forward exchange rate), with average maturity on 3 February 2011;
- for a value of SEK/000 1,000 corresponding to €/000 109 (valued at the forward exchange rate), with average maturity on 2 March 2011;
- for a value of USD/000 970 corresponding to €/000 734 (valued at the forward exchange rate), with average maturity on 10 February 2011;

As regards contracts in place to hedge the exchange risk of forecast transactions (business risk), as of 31 December 2010 the Parent Company had in place forward purchase contracts for a value of CNY/000 230,000 corresponding to €/000 25,711 (valued at the forward exchange rate) with average maturity on 20 April 2011 and USD/000 6,000 corresponding to €/000 4,333 (valued at the forward exchange rate) with average maturity on 27 April 2011 and forward sales contracts for CHF/000 20,500 corresponding in total to €/000 15,450 (valued at the forward exchange rate) with average maturity on 20 June 2011 and GBP/000 13,200 corresponding in total to €/000 15,309 (valued at the forward exchange rate) with average maturity on 8 June 2011.

33. Current and non-current trade payables *€/000 352,715*

As of 31 December 2010 trade payables amounting to €/000 88 were recorded under non-current liabilities. "Tax payables" included in current liabilities totalled €/000 352,627, against €/000 345,987 as of 31 December 2009.

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Amounts due to suppliers	339,858	332,745	7,113
Trade payables due to companies valued at equity	11,914	12,408	(494)
Amounts due to affiliated companies	146	393	(247)
Amounts due to parent companies	797	441	356
Total	**352,715**	**345,987**	**6,728**

34. Reserves (current and non-current portion) *€/000 34,939*

The breakdown and changes in provisions for risks during the period were as follows:

	Balance As of 31 December 2009	Allocations	Application	Reclassification	Delta exchange rate	Balance As of 31 December 2010
In thousands of Euros						
Product warranty provision	17,529	14,016	(14,596)	(12)	75	17,012
Risk provisions on equity investments	5,480		(5,285)			195
Provision for restructuring	0					0
Provisions for contractual risks	9,521		(1,775)	0		7,746
Provisions for guarantee risks	76					76
Provision for tax risks		1,376	(20)	231		1,587
Other provisions for risks	9,526	4,046	(5,022)	(495)	268	8,323
Total	**42,132**	**19,438**	**(26,698)**	**(276)**	**343**	**34,939**

The breakdown between the current and non-current portion of long-term provisions is as follows:

Non-current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Product warranty provision	5,136	5,025	111
Risk provisions on equity investments	195	5,480	(5,285)
Provision for contractual risks	6,797	6,438	359
Provision for tax risks	155		155
Other provisions for risks and charges	4,710	6,022	(1,312)
Total non-current portion	**16,993**	**22,965**	**(5,972)**

Current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Product warranty provision	11,877	12,504	(627)
Risk provisions on equity investments			
Provision for contractual risks	948	3,083	(2,135)
Provisions for guarantee risks	76	76	0
Provision for tax risks	1,432		1,432
Other provisions for risks and charges	3,613	3,504	109
Total current portion	**17,946**	**19,167**	**(1,221)**

The product warranty provision relates to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold and the sales market, and is also determined by customer take-up to commit to a scheduled maintenance plan.
The provision increased during the period by €/000 14,016 and was used for €/000 14,596 in relation to charges incurred during the period.
Risk provisions for equity investments cover the portion of negative shareholders' equity of the subsidiaries Piaggio China Co. Ltd and AWS do Brasil, as well as charges that may arise from said.
During the period, following the business success of the Zongshen Piaggio Foshan joint venture, allocations were made to the provision for risks, previously established.
The provision of contractual risks refers mainly to charges which may arise from the ongoing negotiation of a supply contract.
The provision for tax risks concerns property tax for €/000 55 and other potential tax liabilities for €/000 1,532.

"Other provisions" include provisions for legal risks for €/000 5,306. Allocations made during the year amounted to €/000 535.

35. Deferred tax liabilities — *€/000 32,338*

Deferred tax liabilities totalled €/000 32,338 compared to €/000 29,694 as of 31 December 2009. The change was mainly due to the recognition of deferred tax liabilities by the Indian subsidiary.

36. Retirement funds and employee benefits — *€/000 58,636*

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Retirement funds	1,934	2,510	(576)
Post-employment benefits	56,702	59,349	(2,647)
Total	**58,636**	**61,859**	**(3,223)**

Retirement funds comprise provisions for employees allocated by foreign companies and additional customer indemnity provisions, which represent the compensation due to agents in the case of the agency contract being terminated for reasons beyond their control. Uses refer to the payment of benefits already accrued in previous years, while allocations refer to benefits accrued in the period.

Movements for post-employment benefits are as follows:

In thousands of Euros	
Balance as of 31 December 2009	**59,349**
Cost for the period	9,516
Interest cost	2,637
Use and transfers of retirement funds	(14,947)
Other movements	147
Balance As of 31 December 2010	**56,702**

Economic/technical hypotheses

Technical valuations are based on the hypotheses outlined below:

› Technical annual discount rate 4.50%
› Annual rate of inflation 2.00%
› Annual increase in termination benefits 3.00%

As regards the discount rate, the iBoxx Corporates AA rating with a 7-10 duration as of 31 December 2010 was used as the valuation reference. This figure is the average residual permanence of the population evaluated.

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance

		Options held at the start of the period			Options held during the period		
	Position	**No. of options**	**Average exercise price**	**Average maturity**	**No. of options**	**Average exercise price**	**Average maturity**
Roman Maurizio[2]	General Director Operations				500,000	1.892	1/03/2012
Pallottini Michele	General Director Finance	750,000	1.216	31/07/2013			
		1,500,000	1.826	13/06/2012			
Total		2,250,00			500,000		

with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 Plan"), the following transactions took place during the period:

› on 4 January 2010, 500,000 options were assigned at an exercise price of EUR 1.892. On the date of assignment of the options, the market price of the underlying financial instruments was EUR 2.004;
› on 6 February 2010 75,000 option rights expired;
› on 30 September 2010 90,000 option rights expired.

As of 31 December 2010, 8,430,000 option rights had been assigned for a corresponding number of shares.

On 13 January 2011, 500,000 option rights expired.

Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulations on Issuers. These documents can be viewed on the institutional web site www.piaggiogroup.com, under Investors / Financial Press Releases.

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight-line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.
As required by Consob regulations, the table below indicates the options assigned to members of the board, to general directors and executives with strategic responsibility:

Options exercised during the period			Options expired	Options held at the end of the period		
No. of options	Average exercise price	Average maturity	No. of options	No. of options	Average exercise price	Average maturity
				500,000	1.892	1/03/2012
				750,000	1.216	31/07/2013
				1,500,000	1.826	13/06/2012
				2,750,000		

2_Left the Piaggio Group on 13 January 2011.

37. Current and non-current tax payables €/000 22,651

"Tax payables" included in current liabilities totalled €/000 19,290, against €/000 18,952 as of 31 December 2009. Non-current tax payables amounted to €/000 3,361 and refer to the claim by the Inland Revenue Office concerning taxes withheld on the debenture loan issued by Piaggio Finance and repaid in 2009, of which more details are given in the attachment on judicial rulings. As of 31 December 2009 no "tax payables" were recorded under non-current liabilities.

Their breakdown was as follows:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Due for income taxes	3,977	1,646	2,331
Due for non-income tax	-	1,724	(1,724)
Tax payables for:			
- VAT	5,713	3,260	2,453
- tax withheld at source	5,841	8,342	(2,501)
- other	7,120	3,980	3,140
Total	18,674	15,582	3,092
Total	**22,651**	**18,952**	**3,699**

The item includes tax payables recorded in the financial statements of individual consolidated companies, set aside in relation to tax charges for the individual companies on the basis of applicable national laws.
The payable for non-income taxes of 2009 referred to taxes on the dividend distributed by the Indian subsidiary. Payables for tax withholdings made refer mainly to withholdings on employees' earnings, on employment termination payments and on self-employed earnings.

38. Other payables (current and non-current) €/000 73,705

Non-current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Amounts due to employees	31	63	(32)
Amounts due to social security institutions	1,003	1,003	0
Other payables	3,168	5,419	(2,251)
Total non-current portion	**4,202**	**6,485**	**(2,283)**

Quota corrente	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Amounts due to employees	25,553	34,192	(8,639)
Amounts due to social security institutions	9,728	10,120	(392)
Sundry payables due to affiliated companies	58	34	24
Sundry payables due to parent companies	284	573	(289)
Others	33,880	34,648	(768)
Total	**69,503**	**79,567**	**(10,064)**

Other payables included in non-current liabilities totalled €/000 4,202 against €/000 6,485 as of 31 December 2009, whereas other payables included in current liabilities totalled €/000 69,503 compared to €/000 79,567 as of 31 December 2009.

Amounts due to employees include the amount for holidays accrued but not taken of €/000 11,378 and

other payments to be made for €/000 14,175.
Payables due to affiliated companies refer to various amounts due to the Fondazione Piaggio and Immsi Audit.

39. Breakdown of liabilities by geographical segment

As regards the breakdown of liabilities by geographical segment, reference is made to the section on segment reporting.

40. Payables due after 5 years

The Group has loans due after 5 years, which are referred to in detail in Notes 32 Financial Liabilities.
Long-term trade payables are due after five years.

Milan, 7 March 2011

On behalf of the Board of Directors

/s/ Roberto Colaninno

Chairman and Chief Executive Officer
Roberto Colaninno

E) Transactions with related parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of outstanding items as of 31 December 2010, as well as their contribution to the respective headings.

		Euro/000	% of accounting item
Relations with affiliated companies			
Fondazione Piaggio	other current receivables	25	0.11%
	other non-current receivables	305	2.41%
	current trade receivables	5	0.01%
	other current payables	30	0.04%
	other operating income	2	0.00%
Piaggio China	current trade payables	21	0.01%
	Costs for services and lease and rental costs	16	0.01%
AWS do Brasil	other non-current receivables	138	1.09%
Zongshen Piaggio Foshan	other current receivables	134	0.58%
	costs for materials	40,582	4.61%
	other operating income	3,159	2.61%
	current trade receivables	2,198	2.43%
	current trade payables	11,893	3.37%
	net sales	711	0.06%
	Borrowing Costs	144	0.42%
	Costs for services and lease and rental costs	262	0.10%
	other operating costs	1	0.00%
IMMSI Audit	other current receivables	29	0.12%
	other current payables	28	0.04%
	Costs for services and lease and rental costs	748	0.29%
	other operating income	61	0.05%
	current trade receivables	7	0.01%
Acciones Depuradora	Financial income	3	0.10%
Studio D'Urso	current trade payables	146	0.04%
	Costs for services and lease and rental costs	146	0.06%
Relations with parent companies			
IMMSI	Costs for services and lease and rental costs	4,885	1.89%
	other operating income	57	0.05%
	other operating costs	42	0.14%
	other current receivables	5,795	24.87%
	current trade payables	797	0.23%
	other current payables	284	0.41%
	Costs for materials	2	0.00%
Omniaholding	financial liabilities falling due after one year	2,900	0.78%

F) Commitments and risks

41. Guarantees provided

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	Amount €/000
Guarantee of Banca Intesa San Paolo issued for the Group to the Customs Authorities of La Spezia	300
Guarantee issued by Unicredit for the Group for USD 5,500,000 to guarantee the credit line of USD 10,000,000 plus interest granted by ANZ to the subsidiary Piaggio Vietnam and fully drawn on	4,116
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	299
Guarantee issued by Piaggio & C. for USD 19,500,000 to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio India	
of which drawn	7,484
of which undrawn	6,736
Guarantee issued by Piaggio & C. for EUR 15,000,000 to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
of which drawn	
of which undrawn	15,000
Guarantee issued by Piaggio & C for USD 5,500,000 to support the credit line of USD 10,000,000 plus interest granted by ANZ to the subsidiary Piaggio Vietnam and fully drawn on	
of which drawn	3,041
of which undrawn	1,075
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Americas for USD 26,000,000	
of which drawn	19,383
of which undrawn	75
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Group Japan for USD 4.000.000	
of which drawn	2,918
of which undrawn	76
Guarantee of BCC-Fornacette to Livorno Customs Authorities	200
Guarantee of MPS to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	226
Guarantee of Banca Intesa Madrid to Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	192
Guarantee of Banco di Brescia issued to the local authorities of Scorzé to guarantee payment of urbanisation charges	166
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	204
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	500
Guarantee of Monte dei Paschi di Siena issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	391
Guarantee of Monte dei Paschi di Siena issued to Foshan Nanhai-China, to guarantee contract obligations for the supply of vehicles	555
Guarantee of Monte dei Paschi di Siena issued to Akrapovic, to guarantee contract obligations for the supply of vehicles	365
Guarantee of Monte dei Paschi di Siena issued to Daihatsu, to guarantee contract obligations for the supply of vehicles	405
Guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber, to guarantee contract obligations for the supply of vehicles	303

G) Non-recurrent transactions

During 2010 and 2009, the Group did not undertake significant non-recurrent transactions.

H) Information on financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2010 and as of 31 December 2009 the financial instruments in force were allocated as follows within the Piaggio Group's Consolidated Financial Statements.

Notes	In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
	Assets			
	Current assets			
26	Other financial assets	23,051	4,127	18,924
	of which securities	23,051	4,127	18,924
	Liabilities			
	Non-current liabilities			
32	Financial liabilities falling due after one year	371,048	443,164	(72,116)
	of which Bonds	139,007	137,665	1,342
	of which bank financing	214,785	289,872	(75,087)
	of which leasing	7,471	8,262	(791)
	of which other lenders	9,785	7,365	2,420
	Current liabilities			
32	Financial liabilities falling due within one year	156,800	113,178	43,622
	of which bank financing	128,434	83,285	45,149
	of which leasing	791	758	33
	of which other lenders	27,575	29,135	(1,560)

Securities

The item securities refers to the underwriting of Italian government securities acquired by the Parent Company Piaggio & C. S.p.A.. These securities are recorded at fair value and the changes in value recognised in a Shareholders' equity reserve. The nominal value of portfolio securities as of 31 December 2010 was €/000 23,000 and the fair value was €/000 23,051.
In terms of the portfolio risk as of 31 December 2010 a VAR (Value at Risk) equal to €/000 130 was calculated according to the parameter method (variance/covariance) and assuming a holding period of 1 day and a confidence interval of 99%. This measurement determines the maximum potential loss of the portfolio exposed to risk, following changes in market factors.

Current and non-current liabilities

Current and non-current liabilities are covered in detail in the section on financial liabilities of the notes, where liabilities are divided by type and detailed by expiry date.

Credit lines

As of 31 December 2010 the most important credit lines irrevocable until maturity granted to the Parent Company were as follows

- a €/000 155,500 credit line maturing on December 2012, consisting of a loan with amortisation/ depreciation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a pooled loan of €/000 90,000 maturing in August 2012;
- a loan of €/000 117,857 maturing in February 2016;
- a loan of €/000 18,750 maturing in September 2013.

Other Group companies had the following irrevocable credit lines:

- a loan of €/000 19,000 maturing in January 2018;
- a credit line of €/000 15,000 maturing in 2018.

Capitals management and liquidity risk

Cash flows and the Group's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The Parent Company finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions.

To better hedge the liquidity risk, as of 31 December 2010, the Group's Treasury had available €/000 183,787 of undrawn irrevocable credit lines and €/000 126,963 of revocable credit lines, as detailed below:

	2010	2009
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity	0	0
Variable rate with maturity beyond one year - irrevocable until maturity	183,787	160,129
Variable rate with maturity within one year - cash revocable	95,961	89,325
Variable rate with maturity within one year - with revocation for self-liquidating typologies	31,002	35,900
Total undrawn credit lines	**310,749**	**285,354**

Management of market risks

The market risks the Group is exposed to are the exchange risk and interest rate risk.
The management of these financial risks is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies.

Exchange rate risk management

The Group operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations. In 2005, the Group adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. The policy provides the integral hedging of transaction risk, which concerns the differences between the exchange rate recorded in the financial

statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency. The Group is also exposed to the transfer risk, arising from the conversion into Euros of consolidated financial statements of subsidiaries drawn up in currencies different from Euros performed during the consolidation process. The policy adopted by the Group does not require this type of exposure to be covered.

The policy also envisages hedging the business risk - which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") by recourse to derivative contracts.

The exposure of these hedging operations is therefore represented by foreign receivables and payables forecast by the 2011 sales and purchases budget. The total of receivables and payables was broken down into quarters, based on historical monthly data and relative hedging was exactly allocated to the average weighted maturity date. Future receivables and payables will therefore be recognised in 2011.
To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2010 the total fair value of hedging instruments accounted for on a hedge accounting basis was equal to €/000 227. During 2010, losses under other components of the Statement of comprehensive income were recognised amounting to €/000 227 and losses from other components of the Statement of comprehensive income were reclassified under profit/loss for the period amounting to €/000 127.

The net balance of cash flows in the main currencies during 2010 is shown below, whereas for derivatives contracts based on exchange rates applicable as of 31 December 2010, reference is made to the list in the notes, in the section on financial liabilities.

	Cash Flow 2010	Cash Flow 2009
In thousands of Euros		
Pound Sterling	14,5	25,1
Indian Rupee	64,8	32,6
Croatian Kuna	3,8	4,7
US Dollar	(62,8)	(9,6)
Canadian Dollar	1,9	4,5
Swiss Franc	16,7	14,5
Vietnamese Dong	58,2	32,6
Chinese Yuan[1]	(59,3)	(53,4)
Japanese Yen	(33,0)	(34,0)
Total cash flow in foreign currency	**4,8**	**17,0**

1_Cash flow in Euro

In view of the above, assuming a 3% increase in the average exchange rate of the Euro on the unhedged portion of cash flows in main currencies observed in 2010, consolidated operating income would have decreased by approximately €/000 114.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash. Changes in interest rates may affect the costs and the

returns of investment and financing operations. The Group regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreement and Interest Rate Swap, according to what established by its own management policies. As of 31 December 2010, variable rate debt, net of financial assets, was equal to €/000 162,716. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,627 per year.

Credit risk

The Group considers that its exposure to credit risk is as follows:

	2010	2009
In thousands of Euros		
Liquid assets	129,475	190,796
Securities	48,031	13,234
Financial receivables		
Trade receivables	90,421	103,382
Total	**267,927**	**307,412**

The Group monitors or manages credit centrally by using established policies and guidelines. The portfolio of trade receivables shows no signs of concentrated credit risk in light of the broad distribution of our licensee or distributor network. In addition, most trade receivables are short-term. In order to optimise credit management, the Company has established *revolving* programmes with some primary factoring companies for selling its trade receivables without recourse in Europe and the United States.

Hierarchical fair value valuation levels

As regards financial instruments recorded in the balance sheet situation at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

- level 1 – quoted prices for similar instruments;
- level 2 – directly observable market inputs other than Level 1 inputs;
- level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 31 December 2010.

	Level 1	Level 2	Level 3
In thousands of Euros			
Assets valued at fair value	23,051		
Other assets		925	
Total assets	**23,051**	**925**	
Liabilities valued at fair value			
Other liabilities		(1,151)	
Total liabilities		**(1,151)**	

During 2010, no transfers between levels took place.

The table below shows Level 2 changes occurring during 2010:

In thousands of Euros	Hedging operations
Balance As of 31 December 2009	127
Profit (loss) recognised in the consolidated income statement	(127)
Increases/(Decreases)	(227)
Balance As of 31 December 2010	**(227)**

I) Rulings

Leasys–Savarent S.p.A., summoned to appear before the Court of Monza by Europe Assistance in relation to the rental supply of Piaggio vehicles to the Italian Postal System, summoned the Company as a guarantee, also filing for damages against Piaggio for alleged breach of the supply agreement. The Court of Monza declared its lack of jurisdiction concerning the applications filed against Piaggio, and Leasys-Savarent summoned Piaggio to appear before the Court of Pisa. The trial was suspended while awaiting the resolution of the dispute pending before the Court of Monza, which turned down the application of Leasys-Savarent. Leasys-Savarent continued proceedings through the Court of Pisa, applying only for damages against Piaggio. In the next hearing, set for 5 October 2011, the Judge will rule on the preliminary motions of the parties.
In relation to the same dispute, Leasys–Saverent S.p.A. also filed an appeal for an injunction with the Court of Pisa against the Company, requesting the payment of certain invoices relative to costs sustained by Leasys itself for the servicing of the motorcycles rented by the Italian Postal System. The Company appeared before the court in opposition to the injunction, requesting a repeal given that the supply contract did not charge the Company with these expenses. After turning down the request to temporarily enforce the injunction filed by Leasys during the proceedings, the Judge ruled in favour of the Company, revoking the injunction. The term for Leasys to appeal against the ruling is pending.

By means of the deed notified on 25 May 2006, the Company summoned some companies of the Case New Holland Group (Italy, Holland and USA) before the Court of Pisa in order to recover damages under contractual and non-contractual liability relating to the execution of a supply and development contract of a new family of utility vehicles. CNH appeared before the court requesting the dismissal of the action taken by Piaggio, objecting to the lack of jurisdiction of the court as the contract had an arbitration clause. The Court of Pisa, in a ruling of 5 March 2010, declared its lack of jurisdiction to rule on the case. While the term for appealing against the ruling is pending, the Company took action to establish an arbitration board through the Arbitration Chamber of Milan to rule on the dispute. The arbitration board was established on 5 October 2010 informing the parties of the terms for filing briefs and postponing the admission of preliminary briefs to 16 May 2011.

In a writ received on 29 May 2007, Gammamoto S.r.l. in liquidation, a former Aprilia licensee in Rome, brought a case against the Company before the Court of Rome for contractual and non-contractual liability. The Company opposed the injunction fully disputing the validity of Gammamoto's claims and objecting to the lack of jurisdiction of the Judge in charge. The Judge, accepting the petition formulated by the Company, declared its lack of jurisdiction with regards to the dispute. Gammamoto appealed against the ruling on the grounds of lack of jurisdiction at the Court of Cassation, which ruled that the Court of Venice, already indicated in the ruling of the Court of Rome, had jurisdiction. Gammamoto may continue the proceedings. The proceedings undertaken by Gammamoto at the Court of Rome against Piaggio, Intesa Mediofactoring and Banca Popolare del Lazio, to ascertain the undue drawing of the guarantee by Intesa Mediofactoring, a factor company of Piaggio in relation to Gammamoto, concluded with a ruling that the Court through which Gammamoto took action lacked jurisdiction, which instead was of the Court of Milan. The Company is awaiting for proceedings to be continued by Gammamoto.

Da Lio S.p.A., by means of a writ received on 15 April 2009 - summoned the Company before the Court of Pisa to claim compensation for the alleged damages sustained for various reasons as a result of the termination of supply relationships. The Company appeared in court requesting the rejection of all opposing requests. Da Lio requested a joinder with the opposition concerning the injunction obtained by Piaggio to return the moulds retained by the supplier at the end of the supply agreement. At the hearing of 18 November 2010, set to decide on the hearing to issue judgements, the Judge granted the parties the terms for filing briefs, deciding on a possible hearing concerning the outcome of the briefs of the parties. The ruling has been postponed to 2 March 2011.

The Canadian Scooter Corp. (CSC), sole distributor of Piaggio for Canada, summoned Piaggio & C. S.p.A., Piaggio Group Americas Inc. and Nacional Motor S.A to appear before the Court of Toronto (Canada) to obtain compensation for damages sustained due to the alleged infringement of regulations established by Canadian law on franchising (the Arthur Wishart Act). At present, an attempt to settle the dispute through mediation (a type of alternative dispute resolution) is ongoing. Piaggio also took independent legal action against the Bank of Nova Scotia in relation to the non-payment of three letters of credit issued by the bank as a guarantee of supplies made by Piaggio in favour of CSC.

Following the appeal made by the Company pursuant to article 700 of the Code of Civil Proceedings, the Court of Naples, as a precautionary measure, issued an injunction against LML Italia S.r.l., a company distributing models of scooters in Italy manufactured by LML India Ltd, preventing it from using the "Piaggio", "Vespa" and "Vespa PX" brands on its sales information, advertising and promotional materials, stating that the continual matching of LML products with the Vespa manufactured by Piaggio constituted grounds for unfair competition. This ruling was also confirmed in an appeal. Piaggio therefore initiated proceedings with the Court of Naples to obtain damages for the unlawful use of Piaggio marks and for acts of unfair competition adopted by LML. LML India, in turn, referring to the arbitration clause in settlement agreements signed with Piaggio in 1999 to end the joint venture established in India, summoned the Company to appear before an arbitration board in Singapore to obtain compensation for alleged damages sustained by LML India due to the effect of legal action taken by Piaggio against LML Italia. Arbitration is currently in the preliminary stage.

The amounts allocated by the Company for the potential risks deriving from the current dispute appear to be consistent with the predictable outcome of the disputes.

As regards tax claim cases involving the Parent Company Piaggio & C S.p.A., two appeals are ongoing against two tax assessments notified to the Company and relative to the 2002 and 2003 tax years. These assessments originate from an audit conducted by the Inland Revenue Office in 2007 at the Company's offices, following information filed in the Formal Notice of Assessment issued in 2002 following a general audit. As concerns the assessments, a ruling in favour of the Company was made for both the 2002 and 2003 tax years. The Inland Revenue Office has so far appealed against the sentence relative to 2002 and with reference to the ruling, a decision in the second instance is pending. For both cases, the Company has not considered is necessary to allocate allocations, in view of the positive opinions expressed by consultants appointed as counsel.
In September 2010 Piaggio & C. S.p.A. was issued with a Formal Notice of Assessment, following a general assessment conducted during 2010 with reference to 2007. This assessment was subsequently extended to the years 2006 - 2009, with reference to a loan received from the company Piaggio Finance S.A. resulting from the issue of a debenture loan by Piaggio Finance in 2005. The main point contested in the notice concerns the failure to withhold taxes on interest paid to Piaggio Finance in the aforementioned years. Considering the uncertainty of the legal framework and legal interpretations of the issues contested in these assessments, as well as the economic nature, the Company considered it appropriate to settle the matter through measures to avoid litigation, as provided for by law (assessment with acknowledgement). In this regard, the company paid a final amount of 7.3 million/€.
The main tax disputes of other Group companies concern P&D S.p.A. in liquidation and Piaggio Vehicles PVT Ltd.
More specifically, and in reference to P&D SpA in Liquidation, a dispute arose in relation to the tax

assessments issued by the Inland Revenue Office for the 2000, 2001 and 2002 tax years and based on an audit conducted in 1999, with the issue of a Formal Notice of Assessment. In relation to these assessments, P&D S.p.A. obtained a ruling in its favour in the first instance. The Financial Administration appealed, partially objecting to the ruling of the Provincial Tax Commission of Pisa. The dispute regards the undue VAT deduction relative to the 2002 tax year. As a result the Company appeared before the tribunal and a decision from the Regional Tax Tribunal of Florence is pending. The Company has not considered allocating provisions necessary, in view of the positive opinions expressed by consultants appointed as counsel.
As regards Piaggio Vehicles PVT Ltd, several disputes concerning different tax years from 1998 to 2008 are ongoing relative to direct and indirect tax assessments. The Indian company already paid the amounts contested, that will be paid back when proceedings are successfully concluded in its favour. The legal advisors appointed as counsel are confident of the positive outcome of the proceedings.
Following a general audit of the 2006 and 2007 tax years, conducted in 2009 by the French tax authorities, Piaggio France S.A. received a notice of assessment (Proposition de Rectification).
This notice indicates assessments conducted for income tax purposes. The Company is deciding on whether to file an appeal.
In this case as well, considering the positive indications from advisors, the Company did not consider it necessary to make allocations for risks arising from this notice.

L) Subsequent events

To date, no events have occurred after 31 December 2010 that make additional notes or adjustments to these Financial Statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 December 2010.

M) Companies in which the group has equity investments

42. Piaggio Group companies

In accordance with Consob resolution no. 11971 dated 14 May 1999, and subsequent amendments (article 126 of the Regulation), the list of the Group's companies and major equity investments is provided below. The list presents the companies divided by type of control and method of consolidation.
The following are also shown for each company: the company name, the registered office, the country of origin and the share capital in the original currency, in addition to the percentage held by Piaggio & C. S.p.A. or by other subsidiaries.
In a separate column there is an indication of the percentage of voting rights at the ordinary general meeting should it be different from the equity investment percentage in the share capital.

List of companies included in the scope of consolidation on a line-by-line basis as of 31 December 2010.

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Parent company								
PIAGGIO & C. S.P.A.	Pontedera	Italy	205,941,272.16	euro				
Subsidiaries								
Aprilia Racing S.r.l.	Pontedera	Italy	250,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Aprilia World Service B.V.	Amsterdam	Holland	30,000,000 auth. capital (6,657,500 subscribed and paid up)	euro	100%	Piaggio & C. S.p.A.	100%	
Atlantic 12 – Fondo Comune di Investimento Immobiliare	Milan	Italy	19,500,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Derbi Racing S.L.	Barcelona	Spain	3,006.00	euro	100%	Nacional Motor S.A.	100%	
Moto Laverda S.r.l. *	Noale (Venice)	Italy	80,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Nacional Motor S.A.	Barcelona	Spain	1,588,422.00	euro	100%	Piaggio & C. S.p.A.	100%	
P & D S.p.A. *	Pontedera	Italy	416,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Asia Pacific PTE Ltd.		Singapore	100,000.00	sin$	100%	Piaggio Vespa B.V.	100%	
Piaggio Deutschland Gmbh	Kerpen	Germany	250,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Espana S.L.U.	Madrid	Spain	426,642.00	euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Finance S.A.	Luxembourg	Luxembourg	31,000.00	euro	99,99%	Piaggio & C. S.p.A.	99.99%	
Piaggio France S.A.S.	Clichy Cedex	France	1,209,900.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Americas Inc	New York	USA	561,000.00	USD	100%	Piaggio Vespa B.V.	100%	
Piaggio Group Canada Inc	Toronto	Canada	10,000.00	CAD	100%	Piaggio Group Americas Inc	100%	
Piaggio Group Japan	Yokohama	Japan	3,000,000.00	yen	100%	Piaggio Vespa B.V	100%	
Piaggio Hellas S.A.	Athens	Greece	2,704,040.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Hrvatska D.o.o.	Split	Croatia	400,000.00	kuna	75%	Piaggio Vespa B.V.	75%	
Piaggio Limited	Bromley Kent	United Kingdom	250,000.00	gbp	100%	Piaggio Vespa B.V.	99.9996%	
						Piaggio & C. S.p.A.	0.0004%	
Piaggio Portugal Limitada *	Lisbon	Portugal	5,000.00	euro	100%	Piaggio Vespa B.V.	100%	
Piaggio Vehicles Private Limited	Maharashtra	India	340,000,000.00	rupie	100%	Piaggio & C. S.p.A.	99.999997%	
						Piaggio Vespa B.V.	0.000003%	
Piaggio Vespa B.V.	Breda	Holland	91,000.00	euro	100%	Piaggio & C. S.p.A.	100%	
Piaggio Vietnam Co Ltd	Vinh Phuc	Vietnam	64,751,000,000.00	Dong	87,5%	Piaggio & C. S.p.A.	51%	
						Piaggio Vespa B.V.	36.5%	

* Company in liquidation

List of companies included in the scope of consolidation with the equity method as of 31 December 2010

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Aprilia Brasil S.A.	Manaus	Brazil	2,020,000.00	reais	51%	Aprilia World Service Holding do Brasil Ltda	51%	
Aprilia World Service Holding do Brasil Ltda.	São Paulo	Brazil	2,028,780.00	reais	99.99995%	Piaggio Group Americas Inc	99.99995%	
Piaggio China Co. LTD	Hong Kong	China	12,500,000 auth. capital (12,100,000 subscribed and paid up)	USD	99.99999%	Piaggio & C. S.p.A.	99.99999%	
Zongshen Piaggio Foshan Motorcycle Co. LTD.	Foshan City	China	29,800,000.00	USD	45%	Piaggio & C. S.p.A.	32.5%	
						Piaggio China Co.LTD	12.5%	

List of other significant equity investments as of 31 December 2010

Company name	Registered office	Country	Share capital	Currency	% Group ownership	Held by	%	% votes
Acciones Depuradora Soc. Coop. Catalana Limitada	Barcelona	Spain	60,101.21	euro	22%	Nacional Motor S.A.	22%	
Immsi Audit S.c.a.r.l.	Mantova	Italy	40,000.00	euro	25%	Piaggio & C. S.p.A.	25%	
Mitsuba Italia S.p.A.	Pontedera (PI)	Italy	1,000,000.00	euro	10%	Piaggio & C. S.p.A.	10%	
Pont - Tech , Pontedera & Tecnologia S.c.r.l.	Pontedera (PI)	Italy	884,160.00	euro	20.44%	Piaggio & C. S.p.A.	20.44%	
S.A.T. Societé d'Automobiles et Triporteurs S.A.	Tunis	Tunisia	210,000.00	TND	20%	Piaggio Vespa B.V.	20%	

N) Information pursuant to article 149 duodiecies of the Consob Regulation on Issuers

The following information, provided pursuant to article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2010 for auditing services and other service provided by the Independent Auditors and members of its organisation.

Type of service	Company providing the service	Receiver	Notes	Fees for 2010
Auditing of accounts	Deloitte & Touche S.p.A.	Parent Company - Piaggio & C. S.p.A.		417,085
	Deloitte & Touche S.p.A.	Subsidiaries		45,431
	Deloitte network	Subsidiaries		419,457
Certification services	Deloitte & Touche S.p.A.	Parent Company - Piaggio & C.	1)	89,000
Tax advisory services	Deloitte network	Parent Company - Piaggio & C.		110,000
	Deloitte network	Subsidiaries		24,551
Other Services	Deloitte network	Parent Company - Piaggio & C.	2)	120,000
Total				**1,225,524**

1. Issue of the fairness opinion, pursuant to article 2441 section VI of the Italian Civil Code, signing of statements concerning income tax reductions relative to personnel employed in research and development programmes and other contributions for industrial research activities.

2. Activities related to the auditing of the Corporate Social Responsibility Report and controls of the implementation of some administrative procedures.

Certification of the Consolidated Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
- the appropriateness with regard to the company's characteristics and
- actual application of administrative and accounting procedures for the formation of the Consolidated Financial Statements as of 31 December 2010.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover, it is stated that

3.1 the Consolidated Financial Statements:

a. have been prepared in compliance with the international financial accounting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the consolidated statement of financial position and results of operations of the issuer and of all companies included in the scope of consolidation;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the issuer and companies included in the scope of consolidation, as well as a description of main risks and uncertainties to which they are exposed.

Date: 07 March 2011

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Manager in charge

RSV4
aprilia

Report of the Independent Auditors on the Consolidated Financial Statements

Deloitte & Touche S.p.A.
Corso Italia, 17
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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the consolidated financial statements of PIAGGIO & C. S.p.A. and subsidiaries (the "Piaggio Group"), which comprise the consolidated statement of financial position as of December 31, 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Shareholders' equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 10, 2010.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Piaggio Group as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance with reference to the information reported in compliance with art. 123-bis

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

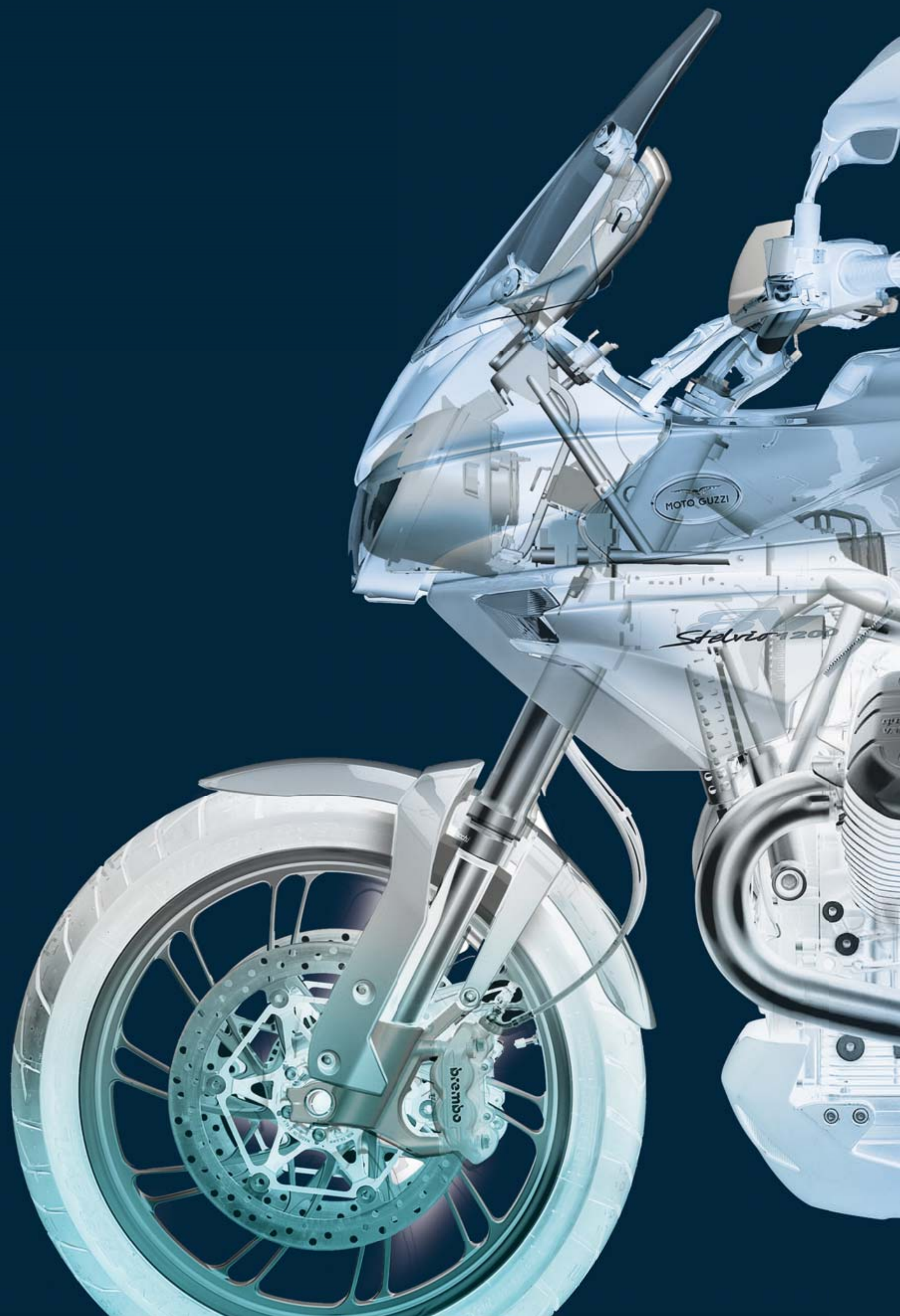
Member of Deloitte Touche Tohmatsu Limited

of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance are consistent with the consolidated financial statements of the Piaggio Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence
March 22, 2011

This report has been translated into the English language solely for the convenience of international readers.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PIAGGIO & C. S.P.A.

SEPARATE FINANCIAL STATEMENTS OF THE PARENT COMPANY AS OF 31 DECEMBER 2010

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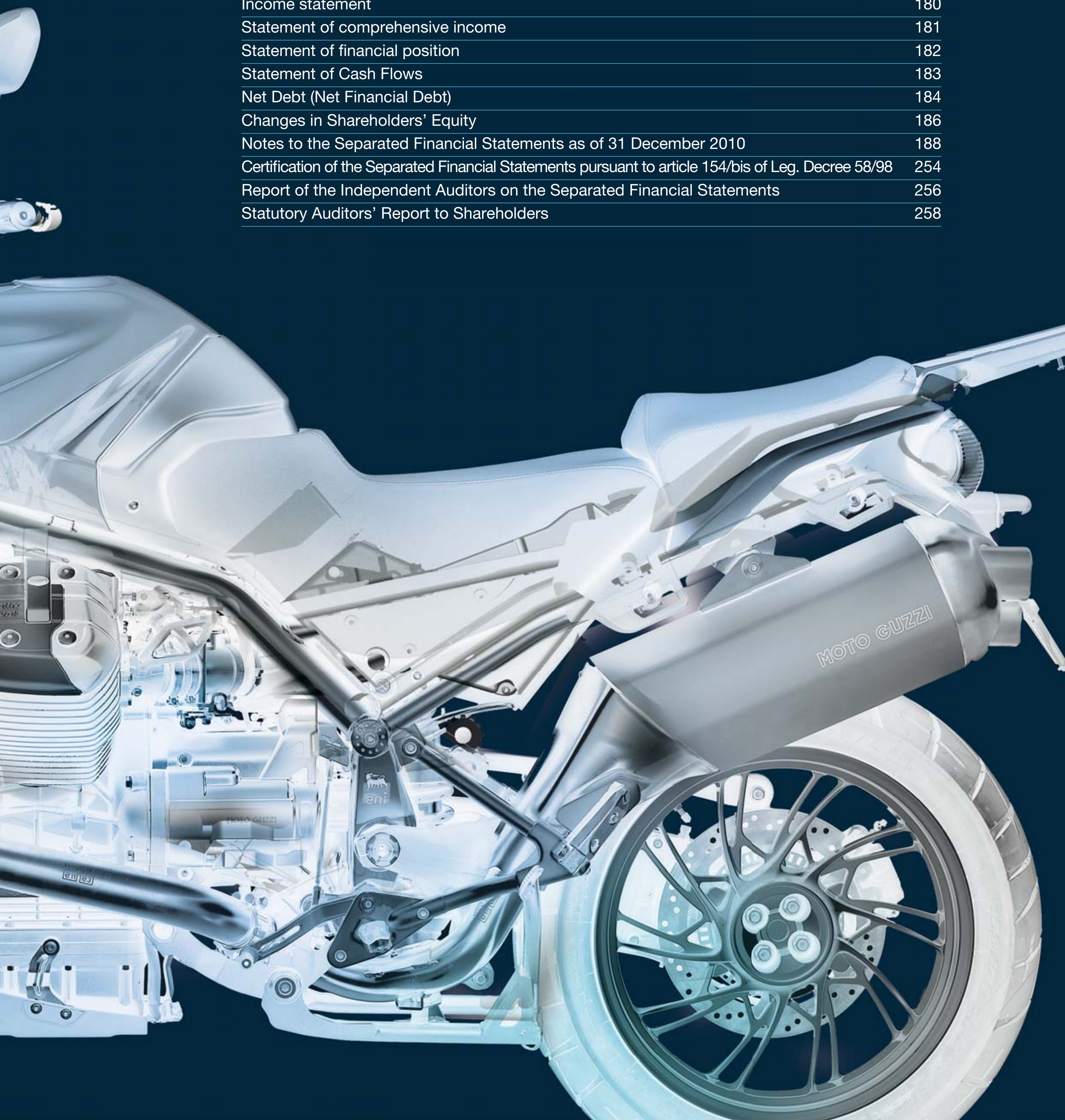

Income statement

Notes	In thousands of Euros	2010 Total	of which related parties	2009 Total	of which related parties
3	Net revenues	976,819	91,210	1,095,536	109,329
4	Cost for materials	565,956	79,744	629,965	52,490
5	Cost for services and leases and rental	247,834	55,212	256,432	51,507
6	Employee costs	191,587	34	192,127	34
7	Depreciation of property, plant and equipment	28,437		30,357	
7	Amortisation of intangible assets	48,174		55,556	
8	Other operating income	126,154	37,525	135,854	36,202
9	Other operating costs	22,719	414	28,179	2
	Operating income	**(1,734)**		**38,774**	
10	Income/(loss) from equity investments	54,183		32,207	
11	Financial income	2,522	772	7,465	5,004
11	Borrowing Costs	32,902	179	34,021	14,040
11	Net exchange gains/(losses)	(817)		501	
	Earnings before tax	**21,252**		**44,926**	
12	Taxation for the period	2,404		(1,127)	
	Earnings from continuing activities	**18,848**		**46,053**	
	Assets held for disposal:				
13	Profits or losses arising from assets held for disposal				
	Net income	**18,848**		**46,053**	

Statement of comprehensive income

Notes	In thousands of Euros	2010	2009
	Utile (perdita) del periodo (A)	**18,848**	**46,053**
	Effective portion of profits (losses) on cash flow hedges	(353)	535
	Fair value adjustment of assets available for sale	(2,069)	17,259
	Total Other Profits (and losses) for the period (B)[1]	**(2,422)**	**17,794**
	Total Profit (loss) for the period (A + B)	**16,426**	**63,847**

1_Other Profits (and losses) take account of relative tax effects

Statement of financial position

Notes	In thousands of Euros	As of 31 December 2010 Total	of which related parties	As of 31 December 2009 Total	of which related parties
	Assets				
	Non-current assets				
14	Intangible assets	544,672		547,185	
15	Property, plant and equipment	179,557		184,376	
16	Investment property				
17	Equity investments	39,536		40,481	
18	Other financial assets	18,222		21,188	1,355
19	Long-term tax receivables	967		892	
20	Deferred tax assets	30,801		29,377	
22	Other receivables	4,405	306	4,332	321
	Total non-current assets	**818,160**		**827,831**	
26	**Assets held for sale**				
	Current assets				
21	Trade receivables	91,273	34,813	114,141	37,450
22	Other receivables	43,570	30,323	59,191	41,829
19	Short-term tax receivables	13,566		4,695	
23	Inventories	178,462		195,817	
24	Other financial assets	52,099	29,048	28,585	28,585
25	Cash and cash equivalents	106,806		175,991	
	Total current assets	**485,776**		**578,420**	
	Total assets	**1,303,936**		**1,406,251**	
	Shareholders' equity and liabilities				
	Shareholders' equity				
29	Capital	203,348		191,617	
29	Share premium reserve	3,493		3,493	
29	Legal reserve	11,299		8,996	
29	Other provisions	38,327		38,100	
29	Retained profit (loss)	62,991		60,082	
29	Profit (loss) for the year	18,848		46,053	
	Total shareholders' equity	**338,306**		**348,341**	**-**
	Non-current liabilities				
30	Financial liabilities falling due after one year	363,869	2,900	443,164	16,000
32	Other long-term provisions	20,990		26,933	
33	Deferred tax liabilities	24,072		25,704	
34	Retirement funds and employee benefits	55,929		58,547	
35	Tax payables	3,361			
36	Other long-term payables	4,092		6,276	
	Total non-current liabilities	**472,313**		**560,624**	
	Current liabilities				
30	Financial liabilities falling due within one year	137,204	9,962	109,761	6,785
31	Trade payables	285,944	45,413	299,709	36,987
32	Current portion of other long-term provisions	12,951		14,391	
35	Tax payables	11,674		12,005	
36	Other short-term payables	45,544	397	61,420	6,595
	Total current liabilities	**493,317**		**497,286**	
	Total shareholders' equity and liabilities	**1,303,936**		**1,406,251**	

Statement of Cash Flows

This statement shows the factors behind changes in cash and cash equivalents, net of short-term bank overdrafts, as required by IAS 7.

Notes	In thousands of Euros	2010	2009
	Operating activities		
	Profit (Loss) for the period	18,848	46,053
	Taxation for the period	2,404	(1,127)
	Depreciation of property, plant and equipment	28,437	30,357
	Amortisation of intangible assets	48,174	55,556
	Non-monetary costs for stock options	2,649	723
	Allocations for risks and retirement funds and employee benefits	25,371	24,092
	Write-downs / (Reversals)	2,337	5,812
	Losses / (Gains) on the disposal of property, plants and equipment	(1,991)	(1,090)
	Losses / (Gains) on the fair value measurement of financial assets	0	0
	Financial income	(29,894)	(27,207)
	Dividend income	(49,945)	(32,452)
	Borrowing Costs	61,091	53,262
	Change in working capital:		
	(Increase)/Decrease in trade receivables	18,944	(18,593)
	(Increase)/Decrease in other receivables	18,219	(18,604)
	(Increase)/Decrease in inventories	17,355	15,635
	Increase/(Decrease) in trade payables	(22,523)	(37,138)
	(Increase)/Decrease in other payables	(5,941)	10,472
	Increase/(Decrease) in the current portion of provisions for risks	(1,440)	2140
	Increase/(Decrease) in the non-current portion of provisions for risks	(19,406)	(12,770)
	Increase/(Decrease) in retirement funds and employee benefits	(14,526)	(14,900)
	Other changes	(21,221)	9,324
	Cash generated from operating activities	**76,942**	**89,545**
	Interest paid	(45,251)	(53,905)
	Taxation paid	(9,698)	(12,560)
	Cash flow from operating activities (A)	**21,993**	**23,080**
	Investment activities		
	Investment in property, plant and equipment	(25,092)	(18,500)
	Sale price, or repayment value, of property, plant and equipment	3,464	1,439
	Net (assets)/liabilities from the Nacional Motor demerger		(3,123)
	Annulment of the participation loan to Nacional Motor due to the demerger		24,000
	Elimination of the portion of cost of the equity investment in Nacional Motor due to the demerger		26,378
	Investment in intangible assets	(45,957)	(57,871)
	Sale price, or repayment value, of intangible assets	260	1,933
	Investment in non-current financial assets	(103)	(4,681)
	Loans provided	(463)	0
	Repayment of loans provided	1,354	10,535
	Purchase of financial assets	(23,051)	
	Sale price of financial assets		3,150
	Collected interests	24,124	20,360
	Dividends from equity investments	57,196	5,293
	Cash flow from investment activities (B)	**(8,268)**	**8,913**
	Financing activities		
	Purchase of treasury shares	(3,345)	(1,179)
	Outflow for dividends paid	(25,765)	(22,116)
	Loans received	26,563	421,191
	Outflow for repayment of loans	(78,869)	(224,623)
	Repayment of finance leases	(758)	(727)
	Cash flow from funding activities (C)	**(82,174)**	**172,546**
	Increase / (Decrease) in cash and cash equivalents (A+B+C)	(68,449)	204,539
	Opening balance	**175,254**	**(29,285)**
	Closing balance	**106,805**	**175,254**

The table below details the breakdown of the balance of cash and cash equivalents as of 31 December 2010 and 31 December 2009.

Notes	In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
25	Cash and cash equivalents	106,806	175,991	(69,185)
30	Current account overdrafts	(1)	(737)	736
	Closing balance	**106,805**	**175,254**	**(68,449)**

Net Debt (Net Financial Debt)

Notes	In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
25	**Liquidity**	**106,806**	**175,991**	**(69,185)**
	Short-term financial receivables due from third parties	0	0	0
24	Government securities available for sale	23,051		23,051
24	Short-term financial receivables due from subsidiaries	29,047	28,584	463
	Short-term financial receivables due from subsidiaries	0	0	0
	Current financial receivables	**52,098**	**28,584**	**23,514**
30	Current account overdrafts	(1)	(737)	736
30	Current account payables	(15,946)	(13,536)	(2,410)
30	Bonds	0	0	0
30	Current portion of bank financing	(82,929)	(58,812)	(24,117)
30	Amounts due to factoring companies	(23,255)	(26,598)	3,343
30	Amounts due under leases	(791)	(758)	(33)
30	Current portion of payables due to other lenders	(4,320)	(2,535)	(1,785)
30	Financial payables due to subsidiaries	(9,962)	(6,785)	(3,177)
	Current financial debt	**(137,204)**	**(109,761)**	**(27,443)**
	Net current financial debt	**21,700**	**94,814**	**(73,114)**
30	Payables due to banks and financing institutions	(207,607)	(289,873)	82,266
30	Debenture loan	(139,007)	(137,665)	(1,342)
30	Amounts due under leases	(7,470)	(8,261)	791
30	Financial payables due to subsidiaries	0	0	0
30	Amounts due to other lenders	(9,785)	(7,365)	(2,420)
	Non-current financial debt	**(363,869)**	**(443,164)**	**79,295**
	Net financial debt[1]	**(342,169)**	**(348,350)**	**6,181**

1_Pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses".

This table reconciles the movement in the flow of the consolidated net debt with cash and cash equivalent movements as shown in the Consolidated Statement of Cash Flows.

In thousands of Euros	
Increase/decrease in cash and cash equivalents from the Consolidated Statement of Cash Flows	**(68,449)**
Outflow for repayment of loans	78,869
Repayment of finance leases	758
Loans received	(26,563)
Amortised cost on medium-/long-term financing	(1,948)
Loans provided	463
Purchase of financial assets	23,051
Change in consolidated net debt	**6,181**

Changes in Shareholders' Equity

Movements from 1 January 2010/31 December 2010

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	IAS transition reserve
	As of 1 January 2010	**191,617**	**3,493**	**8,996**	**11,435**
	Charges for the period for stock option plans				
29	Allocation of profit for 2009 as resolved by the ordinary general meeting of shareholders on 16 April 2010:				
	- To shareholders				
	- To shareholders' equity			2,303	
29	Purchase of treasury shares	(877)			
29	Cancellation of treasury shares	12,608			
29	Total overall profit (loss)				
	As of 31 December 2010	**203,348**	**3,493**	**11,299**	**11,435**

Movements from 1 January 2009/31 December 2009

Notes	In thousands of Euros	Share capital	Share premium reserve	Legal reserve	IAS transition reserve
	As of 1 January 2009	**192,148**	**3,493**	**7,497**	**11,435**
	Charges for the period for stock option plans				
29	Allocation of profit for 2008 as resolved by the ordinary general meeting of shareholders on 16 April 2009:				
	- To shareholders				
	- To shareholders' equity			1,499	
29	Purchase of treasury shares	(531)			
	Total overall profit (loss)				
	As of 31 December 2009	**191,617**	**3,493**	**8,996**	**11,435**

Stock option reserve	Reserve for the fair value measurement of financial instruments	Reserve for the fair value adjustment of financial assets available for sale	Performance reserve	Total shareholders' equity
9,280	**126**	**17,259**	**106,135**	**348,341**
2,649				2,649
			(25,765)	(25,765)
			(2,303)	0
			(2,468)	(3,345)
			(12,608)	0
	(353)	(2,069)	18,848	16,426
11,929	**(227)**	**15,190**	**81,839**	**338,306**

Stock option reserve	Reserve for the fair value measurement of financial instruments	Reserve for the fair value adjustment of financial assets available for sale	Performance reserve	Total shareholders' equity
8,557	**(409)**	**0**	**84,345**	**307,066**
723				723
			(22,116)	(22,116)
			(1,499)	0
			(648)	(1,179)
	535	17,259	46,053	63,847
9,280	**126**	**17,259**	**106,135**	**348,341**

Notes to the financial statements As of 31 December 2010

A) General aspects

Piaggio & C. S.p.A. (the Company) is a joint-stock company established in Italy at the Register of Companies of Pisa. The addresses of the registered office and places where main business operations are conducted are listed in the introduction to the financial statements.
These Financial Statements are expressed in Euros (€) since this is the currency in which most of the Company's transactions take place.

Compliance with international accounting standards

The Financial Statements as of 31 December 2010 have been drafted in compliance with the International Accounting Standards (IAS/IFRS) in force at that date, issued by the International Accounting Standards Board and approved by the European Commission, as well as in compliance with the provisions established in Article 9 of Legislative Decree no. 38/2005 (Consob Resolution no. 15519 dated July 27/7/06 containing the "Provisions for the presentation of financial statements", Consob Resolution no. 15520 dated July 27/7/06 containing the "Changes and additions to the Regulation of Issuers adopted by Resolution no. 11971/99", Consob communication no. 6064293 dated 28/7/06 July containing the "Corporate reporting required in accordance with Article 114, paragraph 5 of Legislative Decree no. 58/98"). The interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously the Standing Interpretations Committee ("SIC"), were also taken into account.

The Financial Statements have been prepared on a historical cost basis, amended as required for the measurement of some financial instruments, and on a going-concern basis. In fact, despite the difficult economic and financial context, the Company has evaluated that there are no significant doubts about its continuing as a going concern (as defined in section 25 of IAS 1), also in relation to actions already identified to adapt to changing levels in demand, as well as the industrial and financial flexibility of the Company.

These Financial Statements have been audited by Deloitte & Touche S.p.A..

1. Form and content of the financial statements

Form of the financial statements
The Company has chosen to highlight all changes generated by transactions with non-shareholders in two statements reporting trends of the period, the "Income Statement" and "Statement of Comprehensive Income". The Financial Statements are therefore composed of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and these notes.

Income Statement
The income statement is presented with items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, income and cost items arising from assets held for disposal or sale, including any capital gains or losses net of the tax element, are recognised in a specific item of the Financial Statements which precede financial performance.

Statement of Comprehensive Income
The Statement of Comprehensive Income for the period is presented as provided for in IAS 1 revised.

Statement of Financial Position

The Statement of Financial Position is presented in opposite sections with separate indication of assets, liabilities, and shareholders' equity.
In turn, assets and liabilities are reported in the Financial Statements on the basis of their classification as current and non-current.

Statement of cash flows

The Statement of Cash Flows is divided into cash-flow generating areas. The Statement of Cash Flows model adopted by Piaggio & C. S.p.A. has been prepared using the indirect method. The cash and cash equivalents recorded in the Statement of Cash Flows include the Statement of Financial Position balances for this item at the reference date. Financial flows in foreign currency were converted at the spot rate in force at the end of the reporting period. Income and costs related to interest, dividends received and income taxes are included in the cash flow generated from operations.

Net debt

The statement of net debt has been prepared pursuant to Consob Communication of 28 July 2006 and in compliance with the recommendation of the CESR of 10 February 2005 "Recommendation for the consistent implementation of the European Commission's Regulation on Prospectuses ".

Statement of Changes in Shareholders' Equity

The Statement of Changes in Shareholders' Equity is presented as provided for in IAS 1 revised.
The Statement includes overall profit (loss) for the period. Reconciliation between the opening and closing balance of each item for the period is presented.

2. Accounting policies

The most significant accounting policies adopted to prepare the Financial Statements as of 31 December 2010 are outlined below.

Intangible assets

As provided for in IAS 38, an intangible asset which is purchased or self-created is recognised as an asset only if it is identifiable, controllable and future economic benefits are expected and its cost may be measured reliably.
Intangible assets with a finite life are measured at acquisition cost or production cost net of amortisation and accumulated impairment losses. Amortisation is referred to the expected useful life and commences when the asset is available for use.

Goodwill

In the case of acquisitions of companies, acquired and identifiable assets, liabilities and potential liabilities are recognised at present value at the date of acquisition. The positive difference between the acquisition cost and share of the Company in the present value of said assets and liabilities is classified as goodwill and recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded instead in the income statement at the date of acquisition.
Goodwill is not amortised but tested annually for impairment, or more frequently if specific events or changed circumstances indicate that an asset may be impaired, as provided for in IAS 36 - Impairment of Assets. After initial recognition, goodwill is recognised at cost net of any accumulated impairment losses.
On the disposal of part of or an entire company previously acquired and from the acquisition of which goodwill arose, the corresponding residual value of goodwill is considered when measuring the capital gain or loss of the disposal.
During first-time adoption of IFRSs, the Company opted not to retroactively apply IFRS 3 - Business

Combinations to acquisitions of companies that took place before 1st January 2005. As a result, the goodwill generated on acquisitions prior to the date of transition to IFRSs was maintained at the previous value, determined according to Italian accounting standards, subject to assessment and recognition of any impairment losses.
After 1 January 2006, following acquisitions during 2004, further goodwill was generated due to the effect of the valuation of financial instruments issued during the acquisition.

Development costs

Development costs of projects for the manufacture of vehicles and engines are recognised as assets only if all of the following conditions are met: the costs may be reliably measured and the technical feasibility of the product, the volumes and expected prices indicate that costs incurred during development will generate future economic benefits. Capitalised development costs include only costs incurred that may be directly attributed to the development process.
Capitalised development costs are amortised on a systematic criterion basis, starting from the beginning of production through the estimated life of the product.
All other development costs are recorded in the income statement when they are incurred.

Other intangible assets

As provided for in IAS 38 – Intangible assets, other intangible assets which are purchased or self-created are recognised as assets if it is probable that use of the asset will generate future economic benefits and the cost of the asset can be reliably measured.
These assets are recognised at acquisition or production cost and are amortised on a straight line basis over their estimated useful life, if they have a definite useful life. Intangible assets with an indefinite useful life are not amortised but tested annually for impairment, or more frequently if there is an indication that an asset may be impaired.
Other intangible assets recognised following the acquisition of a company are accounted for separately from goodwill, if their present value may be reliably measured.
The amortisation periods of intangible assets are shown below:

Development costs	3 years
Industrial Patents and Intellectual Property Rights	3-5 years
Other	5 years
Trademarks	max 15 years

Property, plant and equipment

The Company opted to use the cost method for the first-time adoption of IAS/IFRSs in preparing its financial statements, as provided for by IFRS 1. The fair value method was therefore not used to measure property, plant and equipment. Property, plant and equipment are therefore recognised at acquisition or production cost and are not revalued. In the case of an asset for which capitalisation is justified, the cost also includes the borrowing costs directly attributable to the acquisition, construction or production of the asset.
Costs incurred after acquisition are capitalised only if they increase the future economic benefits of the asset they refer to. All other costs are recorded in the income statement when they are incurred. Property, plant and equipment under construction are measured at cost and depreciated starting from the period in which they are put into operation.
Depreciation is determined, on a straight line basis, on the cost of the assets net of their relative residual values, based on their estimated useful life, adopting the rates indicated in the notes on this item.
Land is not depreciated.
Assets held through finance lease agreements, on the basis of which all risks and benefits related to ownership are basically transferred to the Company, are recognised as Company assets at their present value, or if lower, at the current value of minimum payments due for the lease. The corresponding liability vis-à-vis the lessor is recognised in the financial statements as a financial payable. The assets are

depreciated applying the criterion and rates used for assets owned by the company.
Leases in which the lessor basically retains all risks and benefits related to ownership are classified as operating leases. The costs referred to operating leases are recognised on a line-by-line basis in the income statement over the term of the lease agreement.
Profits and losses arising from the sale or disposal of assets are measured as the difference between the sale revenue and net book value of the asset and are entered in the income statement for the period.

Equity investments

Equity investments in subsidiaries and associated companies are recognised at cost adjusted for impairment losses.
Equity investments in subsidiaries and associated companies are tested annually for impairment, or more frequently if necessary. If evidence of impairment exists, the loss is recognised in profit or loss as a write-down. In the event any portion attributable to the Company of losses of the subsidiary exceeds the book value of the equity investment and the Company is liable, the value of the equity investment is reset to zero and the portion of further losses is recorded as a provision in liabilities. If the impairment loss is reversed or reduced, the value is reversed within cost limits in the income statement.

Impairment

At the end of the reporting period, the Company reviews the book value of its plant, property and equipment and intangible assets to determine whether there is any indication that these assets may be impaired (impairment test). If there is an indication that an asset may be impaired, the asset's recoverable amount is estimated to determine the amount of the write-down. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset's cash generating unit.
The recoverable amount is the greater of the net sale price and value in use. In measuring the value in use, estimated future cash flows are discounted at their fair value, using a rate gross of taxes, which reflects current market changes in the fair value of money and specific risks of the asset.
If the recoverable amount of an asset (or of a cash generating unit) is estimated to be lower than the relative carrying amount, the carrying amount of the asset is reduced to the lower recoverable value. An impairment loss is immediately recognised in profit or loss, unless the asset concerns land or property other than investment property recognised at revalued values. In said case, the loss is recorded in the relative reversal reserve.
When the conditions that gave rise to an impairment loss no longer exist, the carrying amount of the asset (or of a cash generating unit), is increased to the new value arising from an estimate of its recoverable amount, up to the net carrying amount applicable to the asset if no impairment loss had been recognised. The reversal of the impairment loss is immediately recognised in profit or loss.
An intangible asset with an indefinite useful life is tested annually for impairment, or more frequently if there is an indication that an asset may be impaired

Investment property

International accounting standards regulate the accounting treatment of property used for production or administrative purposes (IAS 16) differently from investment property (IAS 40). As provided for by IAS 40, non-instrumental property held to earn rentals and/or for capital appreciation or both is measured at cost net of depreciation and accumulated impairment losses.
Investment property is eliminated from the financial statements when it is disposed of or when it may not be used over time and future economic benefits from its sale are not expected.

Non-current assets held for sale

Non-current assets (or disposal groups) that are classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell.
Non-current assets (and disposal groups) are classified as held for sale when it is expected that their carrying amount will be recovered through a sale rather than through their use in company operations. This condition is only met when the sale is highly probable, the asset (or disposal group) is available

for immediate sale and management is committed to a plan to sell, which should take place within 12 months of classification as held for sale.

Financial assets

Financial assets are recognised and reversed from the financial statements, based on the trading date and are initially measured at cost, including any charges directly connected with the purchase.
At subsequent end of reporting periods, the financial assets the Company intends and can retain up until maturity (securities held until maturity) are recognised at amortised cost based on the effective interest rate method, net of reversals for impairment losses.
Financial assets other than those held until maturity are classified as held for trading or for sale, and are measured at fair value at the end of each period. When financial assets are held for trading, profits and losses arising from changes in fair value are recognised in profit or loss for the period. In the case of financial assets held for sale, profits and losses arising from changes in fair value are directly recognised as shareholders' equity until the assets are sold or impaired; at this point, the overall profits/losses previously recognised as shareholders' equity are recognised in profit or loss for the period.

Inventories

Inventories are recognised as the lower of the purchase or production cost, determined by assigning to products the costs directly incurred in addition to the portion of indirect costs reasonably attributable to the performance of production activities in normal production capacity conditions, and the market value at the end of the reporting period.
The purchase or production cost is determined based on the weighted average cost method.
As regards raw materials and work in progress, the market value is represented by the estimated net realisable value of corresponding finished products minus completion costs. As regards end products, the market value is represented by the estimated net realisable value (price lists).
The lower measurement based on market trends is eliminated in subsequent years, if the trends no longer exist.
Obsolete, slow moving and/or excess inventories are impaired in relation to their possible use or future realisation, in a provision for the impairment of inventories.

Receivables

Receivables are recorded at nominal value, adjusted to the estimated realisable value, and recognised in a provision for impairment. This provision is calculated based on recovery estimates with individual positions and overall risks of receivables being evaluated, taking into account guarantees.
When payment of amounts due exceeds standard terms of payment granted to clients, the receivable is discounted. To determine the effect, collection times are estimated applying a discount rate corresponding to the EURIBOR Swap 20 years plus a spread of listings for AA rating state securities to expected financial flows.

Factoring

The Company sells a significant part of its trade receivables through factoring. Factoring may be without recourse, and in this case no risks of recourse or liquidity exist, as corresponding amounts of the balance of trade receivables are reversed when the receivable is sold to the factor.
For factoring with recourse, the risk of non-payment and the liquidity risk are not transferred, and therefore relative receivables remain under shareholders' equity until payment by the client of the amount due. In this case any advance payments collected by the factor are recognised under payables as amounts due to other lenders.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, current bank accounts, deposits payable on demand and other high liquidity short term financial investments, which are readily convertible into cash and not affected by any major risk of a change in value.

Financial liability

Financial liabilities are recognised based on amounts cashed net of relative transaction costs. After initial recognition, loans are measured at amortised cost, calculated using the effective interest rate. Financial liabilities hedged by derivatives are measured at fair value, according to procedures established for hedge accounting and applicable to present value hedge: profits and losses arising from subsequent measurements at present value, due to changes in interest rates, are recognised in profit or loss and offset by the effective portion of the loss and profit arising from subsequent measurements at present value of the hedged instrument.

Derivatives and measurement of hedging operations

Company assets are primarily exposed to financial risks from changes in exchange and interest rates. The Company uses derivatives (mainly currency forwards) to hedge risks arising from changes in foreign currency in particular irrevocable commitments and planned future transactions. The use of these instruments is regulated by written procedures on the use of derivatives, in line with the Company's risk management policies.
Derivatives are initially recognised at cost, and adjusted to fair value at subsequent end of reporting periods.
Financial instruments are only used with the intent of hedging, in order to reduce the exchange risk, interest rate risk and risk of changes in market prices. In line with IAS 39, financial instruments may qualify for hedge accounting, only when the hedging instrument is formally designated and documented, is expected to be highly effective and this effectiveness can be reliably measured and is highly effective throughout the reporting periods for which it is designated.
When financial instruments may be measured by hedge accounting, the following accounting treatment is adopted:

- **Fair value hedge.** if a financial derivative is designated as a hedge of the exposure to changes in present value of a recognised asset or liability, attributable to a particular risk and could affect profit or loss, the gain or loss from the subsequent change in present value of the hedging instrument is recognised in profit or loss. The gain or loss on the hedged item, attributable to the hedged risk, change the carrying amount of the hedged item and is recognised in profit or loss.
- **Cash flow hedge.** if an instrument is designated as a hedge of the exposure to variability in cash flows of a recognised asset or liability or of a highly probable forecast transaction which could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in other shareholders' equity. Accumulated gain or loss is reversed from other shareholders' equity and recognised in profit or loss in the same period as the hedging transaction. The gain or loss associated with hedging or the part of hedging which is ineffective, is immediately recognised in profit or loss. If the transaction is still expected to occur and the hedge relationship ceases, the amounts accumulated in equity will be retained in equity until the hedged item affects profit or loss. If hedge accounting ceases for a cash flow hedge relationship, gains and losses deferred in other shareholder's equity are recognised immediately in profit or loss.

If hedge accounting cannot be applied, gains and losses from measurement at present value of the financial derivative are immediately recognised in profit or loss.

Long-term provisions

The Company recognises provisions for risks and charges when it has a legal or implicit obligation to third parties and it is likely that Company resources will have to be used to meet the obligation and when the amount of the obligation itself can be reliably estimated.
Changes in estimates are recognised in profit or loss when the change takes place.
If the effect is considerable, provisions are calculated discounting future cash flows estimated at a discount rate gross of taxes, to reflect current market changes in the fair value of money and specifics risks of the liability.

Retirement funds and employee benefits

With adoption of the IFRS, the termination benefit is considered an obligation with defined benefits to be recorded in accounts according to IAS 19 - Employee Benefits. As a result, severance must be recalculated by actuarial evaluations at the end of each period applying the Projected Unit Credit Method.

Payments for defined benefit plans are posted to the income statement in the period they are payable. Liabilities for post-employment benefits posted to the financial statements represent the present value of liabilities for defined benefit plans, adjusted to consider actuarial gains and losses relating to past services not accounted for and reduced to the fair value of plan assets. Net assets resulting from this calculation are limited to the value of actuarial losses and to the cost related to unaccounted for past services, plus the present value of any refunds and reductions in future contributions to the plan.
The Company decided not to use the “corridor method”, which would allow it not to post the cost component (calculated using the method described) represented by actuarial gains or losses if this component does not exceed 10 percent. Note that the interest component on the charge related to employee plans is posted under borrowing costs.

Stock Option Plan

As provided for by IFRS 2 - Share-based payment, the total amount of the present value of stock options at the date of assignment is recognised wholly in profit or loss under employee costs, with a counter entry recognised directly in shareholders’ equity, if the grantees of the instruments representing capital become owners of the right on assignment. If a “maturity period” is required, in which certain conditions are necessary before grantees become holders of the right, the cost for payments, determined on the basis of the present value of options at the date of assignment, is recognised under employee costs on a straight line basis for the period between the date of assignment and maturity, with a counter entry directly recognised in shareholders’ equity.
Determination of fair value based on the Black Scholes method.
Changes in the present value of options subsequent to the date of assignment do not have any effect on initial recognition.

Tax assets and liabilities

Deferred taxes are determined based on the temporary taxable differences between the value of the asset and liability and their tax value. Deferred tax assets are measured only to the extent to which it is likely that adequate future taxable sums exist against which the deferred taxes can be used. The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent to which it is no longer likely that sufficient taxable income exists allowing for all or a portion of said assets to be recovered.
Deferred taxes are determined based on tax rates expected for the period in which the tax assets are realised, considering the rates in effect or which are known to come into effect. Deferred taxes are directly recognised in profit or loss, except for items directly recognised in shareholders’ equity, in the case that relative deferred taxes are also recognised in shareholders’ equity.
Deferred tax assets and liabilities are offset when there is a legal right to offset current taxes payable and receivable and when they refer to taxes due to the same tax authority and the Company intends paying current tax assets and liabilities on a net basis.

Payables

Payables are recognised at their nominal value, considered representative of their settlement value.

Recognition of revenues

According to IFRS, sales of goods are recognised when the goods are dispatched and the company has transferred the significant risks and benefits connected with ownership of the goods to the purchaser.
Revenues are recognised net of returns, discounts, rebates and premiums, as well as taxes directly connected with the sale of the goods and provision of services. Financial revenues are recognised on an accrual basis.

Operating grants

Equipment grants are recognised in the financial statements when their payment is certain and are recognised in profit or loss based on the useful life of the asset for which the grants have been provided.
Operating grants are recognised in the financial statements, when their payment is certain and are recognised in profit or loss in relation to costs for which the grants have been provided.

Financial income

Financial income is recognised on an accrual basis and includes interest payable on invested funds, exchange differences receivable and income from financial instruments, when not offset in hedging transactions. Interest receivable is recognised in profit or loss when it matures, considering the actual return.

Borrowing Costs

Borrowing costs are recognised on an accrual basis and include interest payable on financial payables calculated using the effective interest rate method, exchange differences payable and losses on derivatives. The rate of interest payable of finance lease payments is recognised in profit or loss, using the effective interest rate method.

Dividends

Dividends recognised in profit or loss are recognised on an accrual basis, and therefore at the time when, following the resolution to distribute dividends by the subsidiary, the relative right to payment arises.

Income tax

Taxes represent the sum of current and deferred tax assets and liabilities.
Taxes allocated based on an estimate of taxable income determined in compliance with national laws in force at the end of the reporting period are recognised in the financial statements, taking into account applicable exemptions and tax income due. Income tax is recognised in profit or loss, with the exception of items directly charged to or from shareholders' equity, in which case the tax effect is directly recognised in shareholders' equity.
Taxes are recorded under "Tax payables" net of advances and withheld taxes.
As from the 2007 reporting period, the Company has been party to the National Consolidated Tax Convention pursuant to articles 117 - 129 of the Consolidated Income Tax Act (T.U.I.R) of which IMMSI S.p.A. is the consolidating company, and to whom other IMMSI Group companies report to. The Company will remain with the Convention up until 2012.
Based on the procedure, the consolidating company determines one taxable base for the group of companies that are party to the National Consolidated Tax Convention, and may therefore offset taxable income against tax losses in one tax return. Each company which is party to the National Consolidated Tax Convention transfers taxable income (taxable income or loss) to the consolidating company. The latter recognises a receivable from the consolidated company which is equal to the corporate tax to be paid. Whereas, in the case of companies reporting tax losses, the consolidating company recognises a payable related to corporate tax on the portion of loss actually offset at a Group level.

Use of estimates

The preparation of the financial statements and notes in compliance with IFRS requires management to make estimates and assumptions which have an impact on the values of assets and liabilities and on disclosure regarding contingent assets and liabilities at the end of the reporting period. Actual results could differ from estimates. Estimates are used to measure intangible assets tested for impairment (see § Impairment losses) and to identify provisions for risks, for obsolete inventories, amortisation and depreciation, impairment of assets, employee benefits, taxes, restructuring provisions and other provisions and funds. Estimates and assumptions are periodically revised and the effects of any change are immediately recognised in profit or loss.
In the current world economic and financial crisis, assumptions made as to future trends are marked by a considerably degree of uncertainty. Therefore the possibility in the next reporting period of results that differ from estimates cannot be ruled out, and these could require even significant adjustments which at present cannot be predicted or estimated.

Transactions with subsidiaries and related parties

Transactions with subsidiaries and related parties are described in the Report on Operations, referred to herein.

New accounting standards, amendments and interpretations applied as from 1 January 2010

The following accounting standards, amendments and interpretations were applied for the first time by the Company as from 1 January 2010.

- Amendment to IAS 27 – *Consolidated and Separate Financial Statements.* The amendment establishes that changes to the share that do not result in a loss of control should be accounted for as equity transactions and with the counter entry recognised under shareholders' equity. Moreover, it also establishes that when a company disposes of the control of its own subsidiary, but continues to retain a portion of capital in the company, this should be accounted for at the fair value and possible gains or losses due to the loss of control should be posted to the consolidated income statement. Finally, the amendment requires all losses attributable to non-controlling interests to be allocated to the portion of non-controlling interests in shareholders' equity, also when said exceeds the own share of capital in the subsidiary. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- Amendment to IAS 39 – *Financial instruments: Recognition and Measurement.* The amendment clarifies application of the standard to define its scope in particular situations. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- Interpretation of IFRIC 17 – *Distributions of Non-Cash Assets to Owners.* Under this interpretation, a payable for dividends must be recognised when dividends are appropriately authorised and this payable must be valued at the fair value of the net assets which will be utilised for payment. The Company has applied the interpretation with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- IFRS 8 – *Operating Segments:* the amendment requires companies to provide the total value of assets for each reporting segment, if this value is provided at the highest level of operational decision-making. This information was previously requested even in the absence of this condition. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- IAS 1 – *Presentation of Financial Statements:* the amendment requires a company to classify a liability as current if it does not retain an unconditional right to postpone its settlement for at least 12 months after the closing of the year, even in the presence of an option on the part of the counterparty which could result in a settlement by means of the issue of equity instruments. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- IAS 7 – *Statement of Cash Flows:* the amendment clarifies that only cash flows deriving from expenses resulting in the booking of assets within the Statement of financial position can be classified in the Statement of Cash Flows as deriving from investment activities. Cash flows deriving from expenses which do not result in the booking of an asset must be classified instead as deriving from operating activities. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- IAS 17 – *Leases:* the amendment requires that - during the valuation of a lease contract that includes both land and buildings - the part relative to the land be considered, as customary, to be a finance lease if the land in question has an indefinite useful life given that, in this case, the risks associated with its use for the whole duration of the contract can be considered transferred to the lessee. On the date of adoption, all lands subject to the lease contracts which were previously effective and not yet expired must be separately valued with the potential retroactive recognition of a new finance lease. The Company has applied the new amendment with a forward-looking approach as from 1 January

2010, however no accounting effects for the Company have arisen since the application.

- IAS 36 – *Impairment of Assets:* This amendment requires each operational unit or group of operational units for which goodwill is allocated for the purposes of impairment tests to be no greater in size than the operating segment defined in section 5 of IFRS 8, prior to the combination allowed as per section 12 of the IFRS on the basis of similar economic conditions or other similar elements. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

- IAS 39 – *Financial instruments:* Recognition and Measurement: the amendment restricts the exception of non-applicability contained within paragraph 2g of IAS 39 to forward contracts between a buyer and a selling shareholder - for the purposes of the sale of a company in a company grouping on the future date of acquisition - if the completion of the company grouping only depends on the elapsing of a suitable amount of time. The amendment decrees that option rights (currently exercisable or not) which allow one of the two parties to retain control over the realisation or non-realisation of future events - and whose exercising involving the control of a company - fall within the realm of applicability of IAS 39. The amendment also clarifies that the implicit penalties for the advance redemption of loans - whose price compensates the lender with the loss of additional interest - must be considered strictly correlated to the financing contract and may therefore not be booked separately. Finally, the amendment provides that net income or losses on one hedged financial instrument must be reclassified from the shareholders' equity to the consolidated income statement in the period in which the expected and hedged cash flow has an effect on the consolidated income statement. The Company has applied the new amendment with a forward-looking approach as from 1 January 2010, however no accounting effects for the Company have arisen since the application.

Amendments and interpretations effective as from 1 January 2010 and not relevant for the Company

The following amendments and interpretations, applicable as from 1 January 2010, regulate specific cases and case histories which are not present within the Company as of the date of these Financial Statements:

- Interpretation of IFRIC 18 – *Transfers of Assets from Customers.*
- Amendment to IFRIC 9 – *Reassessment of Embedded Derivatives and to IAS 39 - Financial instruments: recognition and measurement.*
- IFRS 2 – *Share-based payment.*
- IFRS 5 – *Non-current assets held for sale and discontinued operations.*
- IFRIC 9 – *Reassessment of Embedded Derivatives.*
- Amendment to IFRS 2 – *Share-based payment: Share-based payment of the Group in cash.*

Accounting standards, amendments and interpretations which are not yet applicable and adopted in advance by the Company

On 8 October 2009, issued an amendment to IAS 32 – F*inancial instruments: Presentation* - Classification of rights issues, to regulate the accounting of rights issues (rights, options or warrants) in a currency other than the operating currency of the issuer. These rights were previously accounted for as liabilities from derivative financial instruments. The amendment requires these rights, in certain conditions, to be classified as Shareholders' equity regardless of the currency in which the exercise price is denominated.
The amendment is applicable in a retrospective manner as of 1 January 2011.

On 4 November 2009, the IASB issued a revised version of IAS 24 – *Related Party Disclosures* – which simplifies the type of information required in the case of transactions with related parties controlled by the State and gives a clear definition of related parties.
The amendment is applicable as of 1 January 2011.
The adoption of this amendment will not produce any effects on the valuation of financial statement items.

On 12 November 2009 the IASB published IFRS 9 – *Financial Instruments* - on classifying and measuring financial assets as from 1 January 2013. This is the first step in a project which will entirely replace IAS

39 in stages. The new standard uses a single approach based on procedures for financial instrument management and on contract cash flows of financial assets to determine valuation criteria replacing different regulations in IAS 39. The new standard will also have a single method to determine impairment losses from financial assets.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the process of approval necessary for its application.

On 26 November 2009 the IASB issued a minor amendment to IFRIC 14 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – which allows companies to prepay minimum funding contributions and recognise them as an asset.
The amendment is applicable as of 1 January 2011.

On 26 November 2009 the IFRIC issued an amendment to IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* – which provides guidelines on recording the extinguishing of a financial liability with equity instruments. The interpretation establishes that if a business renegotiates extinguishing conditions of a financial liability and the creditor accepts extinguishing through the issue of the company's shares, the shares issued by the company will become a part of the price paid for extinguishing the financial liability and shall be valued at fair value; the difference between the book value of the extinguished financial liability and opening value of equity instruments shall be recorded in the consolidated income statement of the period.
The amendment is applicable as of 1 January 2011.

On 6 May 2010 the IASB issued revised versions of IFRSs applicable as from 1 January 2011. Only revisions changing the way that financial statement items are presented, recognised and valued are indicated below:

› IFRS 3 - *Business combinations:* the amendment clarifies that components of non-controlling interests do not entitle holders to receive a proportional share of net assets of the subsidiary, which must be valued at fair value or as required by applicable international standards. Moreover, the Board further analysed the issue of share-based payments which are replaced in business combinations, adding specific guidelines clarifying accounting treatment.
› IFRS 7 – *Financial instruments: disclosures:* the change refers to the interaction between additional qualitative and quantitative information required by the standard on the nature and extent of risks concerning financial instruments. This should help readers of financial statements to associate presented information and obtain a general description of the nature and extent of risks concerning financial instruments. The requirement to disclose financing activities which have expired but not been renegotiated or impaired and to disclose the fair value of collaterals has been eliminated.
› IAS 1 – *Presentation of Financial Statements:* the amendment requires the reconciliation of changes in all items of equity to be presented in the notes and the financial statements.
› IAS 34 – *Interim financial reporting:* guidelines have been added on additional information to be included in Interim Financial Statements.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendment.

On 7 October 2010 IASB published some amendments to IFRS 7 – *Financial instruments: Disclosures*, applicable for accounting periods commencing on or after 1 July 2011. The purpose is to improve understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to IFRS 1 – *First-time adoption of International Financial Reporting Standards* to eliminate the reference to the date 1 January 2004 described as the date of transition to IFRS and to provide guidance on the presentation of financial statements following a period of hyperinflation.
The amendment will be applicable as from 1 July 2011.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

On 20 December 2010 the IASB issued a minor amendment to IAS 12 – *Income taxes* which requires businesses to measure deferred tax assets and liabilities arising from an asset based on the manner in which the carrying amount of the asset will be recovered. Consequently SIC 21 *Income taxes – Recovery of Revalued Non-Depreciable Assets* – will no longer be applicable. The amendment will be applicable as from 1 January 2012.
At the date of issue of these Financial Statements, the competent bodies of the European Union had not yet completed the approval process necessary for application of the amendments.

Other information

Departures pursuant to article 2423, section 4 of the Italian Civil Code

No exceptional circumstances occurred requiring departures from legal provisions concerning Financial Statements pursuant to article 2423, section 4 of the Italian Civil Code.

Adjustment of Income Statement items referred to the previous year

In the Income Statement of these Financial Statements, costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices, are recognised under “Other operating income” and not under “Net revenues” as was the case in the previous year. This item amounted to €/000 27,196 for 2010 and €/000 30,237 for 2009.

To achieve a consistent comparison, the same type of charges in the 2009 Income Statement under “Net Revenues” were reclassified under “Other operating income”.

Adjustment of Statement of Financial Position items referred to the previous period

To achieve greater clarity, trade receivables were recorded separately from other receivables in the Statement of Financial Position - Current Assets of the Financial Statements.
To achieve a consistent comparison, trade receivables and other receivables, recorded in the 2009 Financial Statements under one item in the Statement of Financial Position - Current Assets, were recorded in two separate items.

Information on company management and coordination activities

Pursuant to article 2497-bis, section 4 of the Italian Civil Code, main data of the last financial statements of the parent company IMMSI S.p.A, with registered office in Mantova (MN), Piazza Vilfredo Pareto 3 – tax code 07918540019, for the year ended 31 December 2009, are summarised below:

Income statement

	2009	2008
Figures in Euro		
Financial income	19,774,529	25,940,355
- of which related parties and intergroup	14,825,034	15,836,992
Borrowing Costs	(4,653,991)	(6,720,815)
- of which related parties and intergroup	(9,584)	(29,247)
Income/(loss) from equity investments		0
Operating income	4,627,641	4,242,069
- of which related parties and intergroup	2,039,083	1,824,701
Costs for materials	(48,970)	(60,887)
Costs for services and lease and rental costs	(4.148.707)	(4.355.955)
- of which to related parties and intergroup	(477,993)	(387,750)
Employee costs	(1,269,459)	(1,427,056)
Depreciation of plant, property and equipment	(148,097)	(426,878)
Amortisation of goodwill	0	0
Amortisation of intangible assets with a finite life	0	0
Other operating income	398,376	301,255
- of which related parties and intergroup	145,569	90,333
Other operating costs	(465,556)	(705,029)
- of which related parties and intergroup	(1,547)	(747)
Earnings before tax	**14,528,829**	**17,245,542**
Taxes	463,063	458,483
- of which to related parties and intergroup	(496,658)	(217,881)
Earnings after tax from operating activities	**14.528.829**	**17.245.542**
Profit or loss arising from assets held for disposal or sale	0	0
Net income for the period	**14,528,829**	**17,245,542**

Statement of comprehensive income

	2009	2008
Figures in Euro		
Net income for the period	**14,528,829**	**17,245,542**
Profits (losses) from the fair value measurement of assets available for sale (AFS)	7,291,885	(45,005,496)
Profits (losses) from the measurement of entities under common control	0	65,086,583
Profits (losses) from the impairment reversal of investment property	0	41,171,417
Total profit (loss) for the period	**21,820,714**	**78,498,046**

Statement of financial position

	As of 31 December 2009	As of 31 December 2008
Figures in Euro		
Non-current assets		
Intangible assets	0	0
Plant, property and equipment	607,075	581,304
- of which related parties and intergroup	107,957	71,257
Investment property	72,637,537	72,349,120
Equity investments	376,985,103	382,310,815
Other financial assets	92,000,000	126,349,999
- of which related parties and intergroup	12,000,000	26,350,000
Tax receivables	3,631,514	3,885,028
Deferred tax assets	0	0
Trade receivables and other receivables	2,779,762	2,751,821
- of which related parties and intergroup	2,774,622	2,747,986
Total non-current assets	**548,640,991**	**588,228,087**
Assets held for disposal		**0**
Current assets		
Trade receivables and other receivables	6,132,213	13,864,948
- of which related parties and intergroup	5,510,335	2,388,899
Tax receivables	221,968	136,530
Other financial assets	64,277,901	35,427,150
- of which related parties and intergroup	42,500,000	18,020,000
Cash and cash equivalents	1,462,813	9,149,587
Total current assets	**72,094,895**	**58,578,215**
Total assets	**620,735,886**	**646,806,302**

	As of 31 December 2009	As of 31 December 2008
Figures in Euro		
Shareholders' equity		
Share capital	177,075,600	177,075,600
Reserves and retained earnings	263,079,533	238,542,106
Income for the period	14,528,829	17,245,542
Total shareholders' equity	**454,683,962**	**432,863,248**
Non-current liabilities		
Financial liabilities	**11,000,000**	**45,917,633**
Trade payables and other payables	0	0
Retirement fund and similar obligations	227,034	201,526
Other long-term provisions	0	0
Deferred tax liabilities	20,508,761	21,531,884
Total non-current liabilities	**31,735,795**	**67,651,043**
Liabilities related to assets held for disposal	**0**	**0**
Current liabilities		
Financial liabilities	125,170,671	92,412,850
- of which related parties and intergroup	180,000	360,000
Trade payables	1,584,185	1,501,296
- of which related parties and intergroup	402,403	384,173
Current taxes	375,656	397,266
Other payables	7,185,617	51,860,141
- of which related parties and intergroup	6,340,379	49,926,236
Current portion of other long-term provisions	0	120,458
Total current liabilities	**134,316,129**	**146,292,011**
Total shareholders' equity and liabilities	**620,735,886**	**646,806,302**

B) Information On The Income Statement

Before analysing individual items, it should be noted that comments on the general trend of costs and revenues are given in the Report on Operations, pursuant to article 2428 section 1 of the Italian Civil Code. Only main items are commented on below, as positive and negative income components are analytically presented in the Income Statement and comments have been provided on items of the Statement of Financial Position.

3. Net revenues €/000 976,819

Revenues for disposals of company core business assets essentially refer to the marketing of vehicles and spare parts on European and non-European markets. Revenues are recognised net of premiums given to customers.

Revenues by business segment

The breakdown of revenues by business segment is shown in the following table:

	2010		2009		Changes	
	amount	%	amount	%	amount	%
In thousands of Euros						
2-wheeler	868,904	88.95	961,246	87.74	(92,342)	(9.61)
Commercial Vehicles	107,915	11.05	134,290	12.26	(26,375)	(19.64)
Total	**976,819**	**100**	**1,095,536**	**100**	**(118,717)**	**(10.84)**

Revenues by geographic segment

The breakdown of revenues by geographic segment is shown in the following table:

	2010		2009		Changes	
	amount	%	amount	%	amount	%
In thousands of Euros						
Italy	366,989	37.57	465,031	42.45	(98,042)	(21.08)
Rest of Europe	564,037	57.74	548,341	50.05	15,696	2.86
Americas	18,899	1.93	51,047	4.66	(32,148)	(62.98)
Pacific Asia	26,894	2.75	31,117	2.84	(4,223)	(13.57)
Total	**976,819**	**100**	**1,095,536**	**100**	**(118,717)**	**(10.84)**

In 2010 net sales revenues decreased by €/000 118,717 attributable to the general decline in demand for Two-Wheeler vehicles on the Italian and European market, due to the economic crisis affecting the entire western world.

4. Costs for materials *€/000 565,956*

These totalled €/000 565,956 compared to €/000 629,965 as of 31 December 2009.
The decrease in costs for materials compared to the previous year (10.2%) is mainly related to the fall in production and sales volumes. The percentage of costs for raw, ancillary materials, consumables and goods accounting for net revenues was 56.4%, compared to 56% in 2009.

The following table details the content of this financial statement item:

	2010	2009	Change
In thousands of Euros			
Raw, ancillary materials, consumables and goods	548,675	613,939	(65,264)
Purchase of used vehicles and for testing	36	(1)	37
Change in inventories of raw, ancillary materials, consumables and finished products	14.785	2.724	12.061
Change in work in progress, semifinished and finished products	2,460	13,303	(10,843)
Total costs for purchases	**565,956**	**629,965**	**(64,009)**

The change in inventories of raw, ancillary materials, consumables and goods, amounting to a negative figure of €/000 14,785, is attributable to the following:

Merchandise
Negative change of €/000 3,106.
Allocation to the provision for obsolete stock, net of a use of €/000 95, amounted to €/000 1,799.

Raw materials
Negative change of €/000 11,793.
€/000 865 of the provision for the obsolescence of raw materials was used, net of the allocation of €/000 1,042.

Consumables
Positive change of €/000 114.
The change in work in progress, semifinished and finished products, for a total negative amount of €/000 2,460 was determined as follows:
- Finished products: negative change of €/000 6,487.
- Semifinished products: positive change of €/000 4,257.
- Work in progress negative change of €/000 230.

€/000 1,178 from the provision for the obsolescence of products was used in the year, net of the allocation of €/000 1,885.

5. Costs for services and lease and rental costs *€/000 247,834*

These totalled €/000 247,834 compared to €/000 256,432 as of 31 December 2009.
Below is a breakdown of this item:

	2010	2009	Change
In thousands of Euros			
Employee expenses and costs	9,913	8,599	1,314
Maintenance and cleaning	4,602	4,862	(260)
Energy, telephone and telex	11,418	11,525	(107)
Commissions paid	22,548	25,749	(3,201)
Advertising and promotion	17,274	18,443	(1,169)
Technical, legal and tax consultancy and services	11,462	11,287	175
Company boards operating costs	2,124	1,871	253
Insurance	2,950	2,796	154
Third party work	18,667	20,774	(2,107)
Transport costs and spare parts	55,752	57,069	(1,317)
Sundry commercial expenses	14,427	18,416	(3,989)
Product warranty costs	14,033	14,640	(607)
Bank costs and factoring charges	4,890	5,507	(617)
Sundry business services	43,200	40,063	3,137
Other Services	4,281	6,657	(2,376)
Costs for use of leases and rentals	10,293	8,174	2,119
Total costs for services	**247,834**	**256,432**	**(8,598)**

The decrease of €/000 8,598 is mainly attributable to the reduction in costs relative to expenses for the provision of outsourced manufacturing services, transport costs, advertising and promotion costs, fees and commission payable, business costs and costs for other services, partially offset by the increase in employee costs, costs for sundry business services and lease and rental costs.
Lease and rental costs refer to €/000 5,059 for rental payments for buildings and €/000 5,234 for car, software and photocopier hire payments.

Third party work, of €/000 18,667, refers to processing on production components carried out by outsourced suppliers.

Transport costs total €/000 55,752 and refer to €/000 42,867 for the sale of products, €/000 10,280 for transport costs for purchases, €/000 1,798 for transport costs for shuttle and other transit services, and to €/000 807 for postal expenses and express courier services.
The item "Other services" includes services for public relations amounting to €/000 2,986, technical services for expertise amounting to €/000 574 as well as costs of employees seconded to other companies and costs of temporary work for a total of €/000 434.

Expenses for the operation of company boards refer to the activities of the Board of Directors and Board Directors with particular responsibilities, as well as the Board of Statutory Auditors and Supervisory Body and include fees and the reimbursement of expenses amounting to €/000 1,748, €/000 273 and €/000 103 respectively.

Business services include outsourcing services for €/000 8,838, warehouse management services for € /000 777, relocation and restoration services for €/000 691, costs for auditing for €/000 475, waste disposal and water treatment services for €/000 1,258, administration and back office services provided by group companies for €/000 22,859 and management services provided by the parent company IMMSI S.p.A. for € /000 1,000.

6. Employee costs *€/000 191,587*

Employee costs are broken down as follows:

	2010	2009	Change
In thousands of Euros			
Salaries and wages;	134,571	134,436	135
Social security contributions	41,480	43,887	(2,407)
Post-employment benefits	9,308	8,748	560
Other costs:	6,228	5,056	1,172
Total	**191,587**	**192,127**	**(540)**

The decrease of 0.3% in costs of salaries and contributions is mainly due to the decrease in average staff numbers in the year, which affected manpower above all, and to lower social security contributions which are applicable to some types of indirect remuneration, as provided for by law.
Employee costs include €/000 2,649 relating to stock option costs which were recorded in accordance with international financial accounting standards.

The workforce as of 31 December 2010 totalled 4,059 members of staff.
Below is a breakdown of the headcount by actual number and average number:

Average number

Level	2010	2009	Change
Senior Management	92	92	0
Middle Management	221	215	6
White collars	1,063	1,067	(4)
Manual labour	2,842	2,953	(111)
Total	**4,218**	**4,327**	**(109)**

Number as of

Level	31 December 2010	31 December 2009	Change
Senior Management	90	92	(2)
Middle Management	233	219	14
White collars	1,059	1,040	19
Manual labour	2,677	2,708	(31)
Total	**4,059**	**4,059**	**0**

Movements in employee numbers in the two periods are compared below:

	As of 31/12/09	Incoming	Leavers	Relocations	As of 31/12/10
Senior Management	92	7	(9)		90
Middle Management	219	12	(19)	21	233
White collars	1,040	67	(31)	(17)	1,059
Manual workers	2,708	463	(490)	(4)	2,677
Total (*)	**4,059**	**549**	**(549)**		**4,059**
(*) of which fixed-term contracts	20	415	(376)	(45)	14

7. Amortisation, depreciation and impairment costs *€/000 76,611*

Amortisation and depreciation for the period, divided by category, is shown below:

Property, plant and equipment	2010	2009	Change
In thousands of Euros			
Buildings	3,276	3,492	(216)
Plant and equipment	8,211	8,860	(649)
Industrial and commercial equipment	16,129	16,851	(722)
Other assets	821	1,154	(333)
Total depreciation of tangible fixed assets	**28,437**	**30,357**	**(1,920)**

Intangible assets	2010	2009	Change
In thousands of Euros			
Development costs	25,312	30,358	(5,046)
Industrial patent rights and intellectual property rights	13,143	16,563	(3,420)
Concessions, licences, trademarks and similar rights	9,719	8,635	1,084
Total amortisation/depreciation of intangible fixed assets	**48,174**	**55,556**	**(7,382)**

As set out in more detail in the paragraph on intangible assets, as of 1 January 2005, goodwill is no longer amortised, but tested annually for *impairment.*

The impairment test carried out as of 31 December 2010 confirmed the full recoverability of the amounts recorded in the financial statements.

Amortisation of “Concessions, licences, trademarks and similar rights” refers to amortisation of the Aprilia brand for €/000 5,467, of the Guzzi brand for €/000 3,047, of the Derbi brand for €/000 1,200 and of other brands of the merged Aprilia S.p.A. for €/000 5. The item “Industrial patents and intellectual property rights” includes amortisation relative to software, for €/000 5,973.

8. Other operating income *€/000 126,154*

This item consists of:

In thousands of Euros	2010	2009	Change
Operating grants	4,164	7,428	(3,264)
Increases in fixed assets from internal work	28,380	26,062	2,318
Sundry sales and income:			
- Expenses recovered in invoices	27,196	30,237	(3,041)
- Rent receipts	264	278	(14)
- Contingent assets from measurement	294	44	250
- Capital gains on the disposal of assets	2,002	1,091	911
- Recovery of transport costs	18	(9)	27
- Recovery of business costs	1,216	88	1,128
- Recovery of registration costs	43	116	(73)
- Recovery of advertising costs	351	179	172
- Recovery of stamp duty	1,731	2,226	(495)
- Recovery of labour costs	3,248	1,752	1,496
- Recovery of duty on exported products	112	119	(7)
- Recovery of supplier costs	840	1,062	(222)
- Recovery of warranty costs	13	140	(127)
- Recovery of taxes from customers	820	744	76
- Recovery of professional training costs	204	0	204
- Recovery of sundry costs	18,614	18,309	305
- Provision of services to group companies	11,066	10,912	154
- Licence rights and know-how	14,936	10,704	4,232
- Commission receivable	1,940	1,614	326
- Sale of miscellaneous materials	529	226	303
- Compensation from damage to third parties	3,006	3,419	(413)
- Sponsorship	1,456	3,403	(1,947)
- Clearance of payables	45	1,000	(955)
- Other income	3,666	14,710	(11,044)
Total other operating income	**126,154**	**135,854**	**(9,700)**

The decrease totals €/000 9,770.

Operating grants refer to:
- €/000 1,733 for benefits established by law 296/2006 (2007 Budget), subsequently amended by law 244/2007 (2008 Budget), which provided benefits for companies undertaking precompetitive Research and Development programmes, starting from 1 January 2007 and reaching completion by 31 December 2009. The benefit consists of a tax income to be used against payable taxes. The costs to which the benefit refers were incurred in 2007/2008/2009. This funding refers to funding recorded in the income statement in relation to the amortisation of capitalised costs.
- €/000 2,352 for other state and EU funding for research projects.
- €/000 79 for funding for professional training provided by trade associations.

During the year, internal costs for product development projects of €/000 28,310 were capitalised, in addition to internal costs for the construction of property, plant and equipment, amounting to €/000 70.
Expenses recovered in invoices refer to costs for preparation, advertising, insurance, transport and packaging charged to clients directly in product sales invoices.
The item "Recovery of sundry costs" includes €/000 4,559 and €/000 2,113 charged to the subsidiaries Piaggio Vietnam and Piaggio Vehicles respectively, as well as €/000 7,152 charged to the associated company Zongshen Piaggio Foshan for the supply of components, equipment and various materials for the construction and production of vehicles. The item also includes €/000 1,908 charged for services provided as part of an agreement for the supply of engines.
Licence rights of €/000 14,936 were obtained mainly from the subsidiaries Piaggio Vehicles (€/000 8,838)

and Piaggio Vietnam (€/000 3,144), from the associated company Piaggio Foshan (€/000 220) as well as from the third party companies JINCHENG GROUP (€/000 806), THE BEANSTALK (€/000 1,187), ENI (€/000 59) and FORME SRL (€/000 426).
Income from the recovery of labour costs mainly refers to amounts charged to Group companies for the use of personnel.

The recovery of costs from suppliers refers to amounts charged for the reprocessing of materials and final inspections, and for failure to supply assembly lines with material.
The recovery of stamp duty mainly refers to amounts charged to dealers for stamp duty on vehicle conformity certificates, as from 1 January 2005.
Other income refers to contingent assets obtained during the period.

9. Other operating costs *€/000 22,719*

This item consists of:

	2010	2009	Change
In thousands of Euros			
Allocation for future risks	0	1,041	(1,041)
Allocation for litigation	500	0	500
Total provisions for risks	**500**	**1,041**	**(541)**
Allocation for product warranties	11,586	11,579	7
Total other provisions	**11,586**	**11,579**	**7**
Stamp duty	1,899	2,344	(445)
Non-income tax and duties	1,275	1,010	265
Council tax (ICI)	710	817	(107)
Various subscriptions	784	820	(36)
Social charges	281	295	(14)
Capital losses from disposal of assets	11	1	10
Miscellaneous expenses	3,598	4,705	(1,107)
Losses on receivables	786	0	786
Total sundry operating expenses	**9,344**	**9,992**	**(648)**
Write-down of development costs	36	2,262	(2,226)
Impairment of receivables in working capital	1,253	3,305	(2,052)
Total impairment	**1,289**	**5,567**	**(4,278)**
Total other operating costs	**22,719**	**28,179**	**(5,460)**

Overall, other operating costs decreased by €/000 5,460.
This change is mainly due to lower write-downs and fewer sundry operating expenses.
Stamp duty of €/000 1,899 mainly refers to the tax due on vehicle conformity certificates. This cost is charged to Dealers and the recovered amount is entered under “Other operating income”.
Sundry costs include contingent liabilities amounting to €/000 1,690.
The write-down of development costs refers to costs capitalised in previous years, incurred for research projects, considered as no longer recoverable.

10. Net income from equity investments *€/000 54,183*

This item consists of:

In thousands of Euros	2010	2009	Change
Dividends from subsidiaries	49,934	32,267	17,667
Impairment reversal of equity investments in associated companies	5,286	-	5,286
Dividends from the equity investments of non-controlling interests	11	185	(174)
Write-down of equity investments in subsidiaries	(1,048)	(111)	(937)
Write-down of non-current financial assets	-	(134)	134
Total	**54,183**	**32,207**	**21,976**

Dividends were distributed by the subsidiary Piaggio Vehicles Ltd for €/000 27,918, by Piaggio Vespa B.V. for €/000 4,384, by Piaggio Vietnam for €/000 16,044, by Piaggio Espana for €/000 300, by Piaggio Finance for €/000 350 and by Aprilia Racing for €/000 938.
The impairment reversal on the equity investment concerns the associated company Piaggio Foshan and refers to annulment of the provision for bad debts, recognised as a liability in previous years. The value of the equity investment recognised as an asset was kept to zero.
The impairment of equity investments in subsidiaries reflects the lower value determined for the equity investment in Nacional Motor and losses of some companies in liquidation.

11. Net financial income/(borrowing costs) *€/000 (31,196)*

Financial income and borrowing costs are detailed below:

In thousands of Euros	2010	2009	Change
Financial income			
- From subsidiaries	772	5,004	(4,232)
Financial income from third parties:			
- Interest on securities	579	28	551
- Interest receivable from clients	118	73	45
- Bank and post office interest payable	1,045	1,260	(215)
- Interest payable on financial receivables	2	28	(26)
- Other	7	1,072	(1,065)
Total financial income from third parties:	1,751	2,461	(710)
Total financial income	**2,523**	**7,465**	**(4,942)**

The amount of €/000 772 recognised as financial income from subsidiaries refers to:
- a total of €/000 728 for interest relative to financial assets receivable from the subsidiaries Nacional Motor (€/000 92.), AWS (€/000 249.), Piaggio Group Americas (€/000 287.), Piaggio Espana (€/000 43.) and Aprilia Racing (€/000 57.);
- €/000 44. for cash pooling by Piaggio for Nacional Motor.

In thousands of Euros	2010	2009	Change
Borrowing costs:			
- Payable to subsidiaries	40	13,880	(13,840)
Total borrowing costs payable to the Group	40	13,880	(13,840)
Borrowing costs payable to third parties:			
- Interest payable on a debenture loan	11,846	858	10,988
- Interest payable on bank accounts	7	772	(765)
- Interest payable on bank loans	8,285	10,604	(2,319)
- Interest payable on import/export advance loan	159	196	(37)
- Interest payable to other lenders	1,185	633	552
- Interest payable on subdiscount factor operations	1,374	2,188	(814)
- Cash discounts to clients	944	1,184	(240)
- Bank charges on loans	436	435	1
- Interest payable on lease agreements	207	426	(219)
- Borrowing costs of discounting termination benefits	2,587	2,623	(36)
- Other	5,832	223	5,609
Total borrowing costs Vs third party costs	32,862	20,142	12,720
Total borrowing costs	**32,902**	**34,022**	**(1,120)**

The item "payable to subsidiaries" of €/000 40 refers to interest payable on loans to Piaggio Vespa B.V. (€/000 38) and P&D (€/000 2).
Interest payable on debenture loans refers to borrowing costs for the year concerning the Debenture Loan issued by the Company on 4 December 2009, falling due on 1 December 2016.
Interest payable to other lenders mainly refers to interest payable to factoring companies and banks for the sale of trade receivables. The item also includes interest payable to the financial administration authorities (€/000 391) relating to the acknowledgement of notices of assessment.
The item "Other" mainly refers to higher costs incurred in the year relating to financing with the subsidiary Piaggio Finance, which stopped in the previous year.

In thousands of Euros	2010	2009	Change
- Exchange gains	20,652	15,742	4,910
- Exchange losses	(21,920)	(13,340)	(8,580)
Total exchange gains (losses)	(1,268)	2,402	(3,670)
- Exchange gains	6,720	4,000	2,720
- Exchange losses	(6,269)	(5,901)	(368)
Total valuation exchange gains (losses)	451	(1,901)	2,352
Net exchange gains/(losses)	**(817)**	**501**	**(1,318)**

12. Taxation *€/000 2,404*

The item "Income taxes" is detailed below:

	2010	2009	Change
In thousands of Euros			
Current taxes	17,402	16,159	1,243
Deferred tax liabilities	507	361	146
Deferred tax assets	(15,505)	(17,647)	2,142
Total taxes	**2,404**	**(1,127)**	**3,531**

Current taxes consist of:

- €/000 3,223 for taxes on foreign income, mainly arising from royalties from the Indian subsidiary Piaggio Vehicles Ltd. and the subsidiary Piaggio Vietnam, of which taxes were €/000 2,115 and €/000 395 respectively, as well as income generated by the Spanish branch, of which taxes amounted to €/000 446.
- €/000 4,135 for regional production tax on income for the year.
- €/000 2,139, registering a decrease, from the release of portions of provisions for deferred tax assets allocated in previous years.
- €/000 13,373 for the payment of deferred tax assets (corporate tax and regional production tax) allocated in previous years of which €/000 7,497 attributable to temporary differences annulled in the year, €/000 5,867 relative to deferred tax assets allocated for previous tax losses and €/000 9 for payment during the year relative to temporary changes concerning IAS effects.
- €/000 1,478, registering a decrease, from income from the Consolidated Tax Convention.
- €/000 288 from taxes referred to previous years.

Deferred tax liabilities and deferred tax assets of €/000 507 and €/000 15,505 respectively were recognised.
2010 taxes were positive amounting to €/000 2404. In 2009, taxes were negative amounting to €/000 1,127.

Reconciliation in relation to the theoretical rate is shown below:

In thousands of Euros	2010
Revenue taxes on income	
Earnings before tax	21,252
Theoretical rate	27.50%
Theoretical tax	5,844
Tax effect arising from permanent changes	(10,489)
Tax effect arising from temporary changes	701
Use of tax losses against which deferred tax assets were not allocated	0
Reverse deferred corporate tax liabilities allocated in previous years for temporary changes	(1,921)
Reverse advanced corporate tax assets allocated in previous years for temporary changes	6,635
Reverse advanced tax assets allocated in previous years for tax losses	5,867
Tax effect arising from taxes on income produced abroad	3,223
Income taxes generated by foreign companies included in the Consolidated Tax Convention	0
Expenses (income) from the Consolidated Tax Convention	(1,477)
Tax affect arising from deferred corporate tax liabilities for temporary changes	480
Tax affect arising from advanced corporate tax assets for temporary changes	(11,749)
Deferred tax assets transferred to the Consolidated Tax Convention	819
Regional production tax (IRAP)	
Regional production tax on net revenues for the year	4,135
Regional production tax referred to previous years	288
Reverse deferred regional production tax liabilities allocated in previous years for temporary changes	(219)
Reverse advanced regional production tax assets allocated in previous years for temporary changes	871
Tax affect arising from deferred regional production tax liabilities for temporary changes	27
Tax affect arising from advanced regional production tax assets for temporary changes	(631)
Income taxes recognised in the financial statement	**2,404**

Theoretical tax rates were determined applying the corporate tax rate in effect in Italy (27.5%) to earnings before tax. The impact arising from the regional production tax rate was determined separately, as this tax is not calculated on the basis of earnings before tax.
As regards 2010, within the framework of the National Consolidated Tax Convention, in which Immsi is Consolidating company, Piaggio & C S.p.A. transferred a negative taxable income for corporate tax (tax loss) of €/000 14,340 to the Consolidating company.

13. Gain/(loss) from assets held for disposal or sale — *€/000 0*

At the end of the reporting period, there were no gains or losses from assets held for disposal or sale.

C) information on the statement of financial position - Assets

Assets

14. Intangible Assets €/000 544,672

The table below shows the breakdown of intangible assets as of 31 December 2010 and 31 December 2009, as well as movements during the year.

In thousands of Euros	Development costs	Patent rights	Concessions, licences and trademarks	Goodwill	Other	Total
Historical cost	144,310	141,901	227,105	463,926	-	977,242
Provisions for impairment	(2,262)	-	-	-	-	(2,262)
Accumulated depreciation	(88,897)	(119,631)	(123,892)	(95,375)	-	(427,795)
Assets as of 31/12/2009	**53,151**	**22,270**	**103,213**	**368,551**	**-**	**547,185**
Investments	27,693	18,265	-	-	-	45,958
Depreciation	(25,312)	(13,143)	(9,719)	-	-	(48,174)
Disposals	(259)	(1)	-	-	-	(260)
Impairment	(36)	-	-	-	-	(36)
Exchange differences	-	-	-	-	-	-
Other movements	(5,850)	5,850	-	-	-	-
Total changes	**(3,764)**	**10971**	**(9,719)**	**-**	**-**	**(2,512)**
Historical cost	123,360	166,014	227,105	463,926	-	980,405
Provisions for impairment	(36)	-	-	-	-	(36)
Accumulated depreciation	(73,937)	(132,774)	(133,611)	(95,375)	-	(435,697)
Assets as of 31/12/2010	**49,387**	**33,240**	**93,494**	**368,551**	**-**	**544,672**

Property, plant and equipment decreased overall by €/000 2,513 following depreciation for the period net of investments for the year.
Increases mainly refer to the capitalisation of development costs for new products and new engines, as well as the purchase of software.
Write-downs were directly recognised in profit or loss, under other operating costs, and refer to projects for which industrial development was stopped during the year.

Development costs €/000 49,387

Development costs include costs for products and engines in projects for which there is an expectation, for the period of the useful life of the asset, to see net sales at such a level in order to allow the recovery of the costs incurred. This item also includes assets under construction for €/000 18,474 that represent costs for which the conditions for capitalisation exist, but in relation to products that will go into production in future years.
During 2010, and based on an overall analysis of capitalised development costs, to verify correct classification, the Company reclassified costs incurred in previous years but not yet fully amortised, relative to the projects listed in the table below, from "Development costs" to "Industrial patents and intellectual property rights":

Tuono motorcycle
1200 2C engine
1000 4C 4V engine
Porter Petrol
Porter Diesel 1200
NEW APE "NT3"
MP3 New version
New Beverly
New 350 engine
MP3 hybrid engine
New 125/300 ie engines

These products and their development have made it necessary to adopt highly innovative technical solutions, develop new calculation methods and regulations, define ad hoc design and testing techniques, acquire technologically advanced measurement and test equipment, and have enabled Piaggio to diversify its technical expertise and the quality and functional standards of some of its vehicles compared to the competition. In this framework, the 2010 Financial Statements reflect the total costs incurred in the product development process to a better extent, because although complying with the capitalisation criteria of IAS 38, they did not lead to the Company obtaining specific patents or the acquisition of particular technical expertise not yet available to third parties.

As regards development costs, new projects capitalised during 2010 refer mainly to new engines for Aprilia and Moto Guzzi motorcycles, to the new Tuono 1000, Dorsoduro 1200, Griso, Stelvio and V7 Racer motorcycles, to the new New Beverly, Derbi Senda 50 and Vespa scooters and relative engines, to the Mp3 Hybrid and relative engines, as well as three- and four-wheeler vehicles such as the Porter Petrol and Diesel version and the New Ape NT3.
Development costs included under this item are amortised on a straight line basis over 3 years, in consideration of their remaining useful life.
During 2010, development costs of approximately 18.6 million Euro were recognised directly in profit or loss.
The write-down of €/000 36 made during the year refers to vehicles and engines that will no longer be manufactured, and for which the bases for capitalisation no longer exist.
Pursuant to article 2426, section 5 of the Italian Civil Code, the value of research and development costs still to be amortised equal to €/000 49,387 is unavailable in shareholders' equity.

Industrial patents and intellectual property rights €/000 33,240

This item comprises patents for €/000 105, know-how for €/000 24,559 and software for €/000 8,576.
As regards software, the increase in the period amounted to €/000 6,456 and was mainly attributable to the purchase of various licences, upgrades and the introduction of the new release of SAP ECC 6, as well as the implementation of projects for sales, production, personnel and administration.
Investments in know-how totalled €/000 11,809.

Costs for industrial patents and intellectual property rights are amortised over three years, except for costs for the purchase of SAP licences which are amortised over 5 years.

Trademarks, concessions and licences €/000 93,494

The item Trademarks, concessions and licences, equal to €/000 93,494, consists of:

In thousands of Euros	Net value as of 31/12/2010	Net value as of 31/12/2009
Derbi brand	16,800	18,000
Guzzi brand	27,422	30,468
Aprilia brand	49,202	54,670
Laverda brand	-	-
Suzuki licence	-	-
Minor brands	70	75
Total Trademarks	**93,494**	**103,213**

During the period, the value of the Guzzi brand decreased due to amortisation of €/000 3,047 recorded in the income statement, and determined on the basis of the estimated useful life up until 2019.
During the period, the value of the Aprilia brand decreased due to amortisation of €/000 5,467 recorded in the income statement, and determined on the basis of the estimated useful life up until 2019.
During the period, the value of the Derbi brand decreased due to amortisation of €/000 1,200 recorded in the income statement, and determined on the basis of the estimated useful life up until 2024.
The value of other brands acquired with the Aprilia merger decreased during the year by €/000 5 following amortisation calculated on the basis of the estimated useful life.

Goodwill €/000 368,551

The item *Goodwill* refers to €/000 265,135 for the portion of the merger deficit paid and originating from the merger of Piaggio & C. S.p.A. (€/000 250,569) and Vipifin S.p.A. (€/000 14,566) in Piaggio & C. S.p.A. (formerly MOD S.p.A.) which took place in 2000, to €/000 456 for goodwill generated in previous years from mergers undertaken by the merged company Aprilia, to €/000 79,705 for the amount recognised following the merger of Aprilia in 2005 and to €/000 23,255 for the amount recognised following the spin off of the technological, business and organisational branch of the subsidiary Nacional Motor in favour of Piaggio in 2009.

As specified in the section on accounting standards, from 1 January 2005 goodwill is no longer amortised, but is tested annually or more frequently for impairment if specific events or changed circumstances indicate the possibility of it having been impaired, in accordance with the provisions of IAS 36 Impairment of Assets (impairment test).

In compliance with IAS 36 the methodology adopted is based on the unlevered version of discounted cash flows.

The main hypotheses used to determine future financial flows, relative to a five-year period, and the consequent recoverable value (value in use) refer to:

a. the use of figures from the 2011 budget approved by the Board of Directors on 30 November 2010 for data relative to 2011
b. the use of figures from the Piaggio Group 2010-2013 Plan approved by the Board of Directors on 22 September 2010 for data relative to 2012 - 2013 years
c. the use of the growth rate g to obtain figures for 2014, starting from data of the 2013 Plan.
d. the discount rate (WACC)

In particular, Piaggio adopted a discount rate (WACC) which reflects market valuations of the fair value of money and takes account of specific risks of areas where it operates. This rate is equal to 8.1%.

In the future cash flows discounting model, a final value is entered at the end of the cash flow projection period, to reflect the residual value Piaggio should produce. The final value represents the current value, at the last year of the projection, of all subsequent cash flows calculated as perpetual income, and was determined using a growth rate (g rate) equal to 1.5%.

15. Property, plant and equipment *€/000 179,557*

The table below shows the breakdown of plant, property and equipment as of 31 December 2010 and 31 December 2009, as well as movements during the period.

In thousands of Euros	Land	Buildings	Plants and machinery	Equipment	Other assets	Total
Historical cost	28,034	106,550	248,546	426,635	24,575	834,340
Reversals	-	6,115	2,368	6,253	199	14,935
Provisions for impairment	-	-	-	(1,339)	-	(1,339)
Accumulated depreciation	-	(37,638)	(215,644)	(388,025)	(22,253)	(663,560)
Assets as of 31/12/2009	**28,034**	**75,027**	**35,270**	**43,524**	**2,521**	**184,376**
Investments	-	2,091	7,116	14,980	905	25,092
Depreciation	-	(3,276)	(8,211)	(16,129)	(821)	(28,437)
Disposals	-	(1,292)	(187)	-	-	(1,479)
Impairment	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Other movements	-	-	-	6	1	7
Total changes	**-**	**(2,477)**	**(1,282)**	**(1,143)**	**85**	**(4,817)**
Historical cost	28,034	107,537	253,699	439,909	25,461	854,640
Reversals	-	4,816	2,368	6,253	199	13,636
Provisions for impairment	-	-	-	(1,339)	-	(1,339)
Accumulated depreciation	-	(39,803)	(222,080)	(402,442)	(23,055)	(687,380)
Assets as of 31/12/2010	**28,034**	**72,550**	**33,987**	**42,381**	**2,605**	**179,557**

Increases mainly refer to moulds for new vehicles and engines launched during the year, drive shaft processing lines, engine test benches and the experimental workshop.

Land €/000 28,034

Buildings €/000 72,550

Compared to the previous year, the net decrease in this item was €/000 2,477.
Increases in the period concerned:
› Various works at the Pontedera site for €/000 824.
› Renovation works at the Moto Guzzi site for €/000 1,105.
› Various works at the Noale and Scorzé sites for €/000 162.

Decreases refer to €/000 3,276 for depreciation in the period and to €/000 1,292 from the sale of buildings in Milan, in Corso Sempione, from which a capital gain of €/000 1,832 was realised.

Plants and machinery €/000 33,987

Movements for this item during the period are due to increases of €/000 7,116, depreciation for the period of €/000 8,211 and disposals during the year of €/000 187.
Capitalisation amounting to €/000 7,116 during the period concerned the following acquisitions:
› Upgrading of equipment at the two- and three-wheeler workshops: €/000 2,352.
› Investments for engine assembly lines: €/000 285.
› Investments for the vehicle painting and assembly area: €/000 2,598.
› Purchase of machinery for mechanical processing: €/000 1,309.
› Investments for new engines: €/000 129.
› Investments for new vehicles: €/000 214.
› Sundry investments: €/000 229.

Equipment €/000 42,381

Movements for this item during the period are due to increases of €/000 14,980, and decreases of €/000 16,129 from depreciation for the period and to €/000 6 from reclassifications. Capitalisation in the period equal to €/000 14,980 mainly refers to:
› The renewal of moulds due to wear and for safety purposes €/000 2,414;
› Laboratory equipment €/000 330;
› Equipment for the Book Shop in Via Broletto Milan €/000 131;
› Equipment for assembly lines at the Pontedera site €/000 1,355;
› Equipment for assembly lines at the Scorzé site €/000 81;
› Equipment to improve vehicle quality standards €/000 489;
› Equipment for vehicle design changes €/000 253;
› The purchase of moulds for the Dorsoduro €/000 651;
› The purchase of moulds for the Vespa PX €/000 745;
› The purchase of moulds for specific supply agreements €/000 311;
› The purchase of moulds for the Porter petrol/diesel version €/000 1,530;
› The purchase of moulds for the MP3 Light €/000 1,526;
› The purchase of moulds for the Moto Guzzi Norge €/000 402;
› The purchase of moulds for the Tuono/RSV4 motorcycle €/000 201;
› The purchase of moulds for the New Beverly €/000 670;
› The purchase of moulds for Derbi vehicles €/000 463;
› The purchase of equipment for new Moto Guzzi products €/000 78;
› The purchase of moulds for the RSV4/Tuono 1000cc engine €/000 390;
› The purchase of moulds for the Naked 1200cc engine €/000 259;
› The purchase of moulds for the MP3 Hybrid €/000 457;
› The purchase of moulds for 350 cc scooter engines €/000 2,026;
› The purchase of moulds for the Guzzi 1200 8V engine €/000 63;
› The purchase of moulds for Aprilia vehicle engines €/000 155.

Other plant, property and equipment €/000 2,605

As of 31 December 2010 the item *Other* assets comprised the following:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
EDP systems	1,002	1,306	(304)
Office furniture and equipment	1,061	680	381
Vehicles	-	2	(2)
Cars	542	534	8
Total	**2,605**	**2,522**	**83**

Impairment reversals of fixed assets

The Company still has assets written down in compliance with specific regulations or during merger operations.

The table below gives detailed figures for financial statement items and with reference to the legal provision or merger operation.

	Revers. Law 575/65 and 72/83	Revers. For 1986 merger	Impairment reversal 1988	Revers. Law 413/91	Revers. in departure of article 2425	Revers. 1990 merger	Revers. 1996 merger	Revers. Law 242/2000	Total Revers.
Property, plant and equipment									
Industrial buildings	480	-	584	415	120	1,668	1,549	-	4,816
Plants and machinery	133	263	-	-	-	42	-	1,930	2,368
Industrial and commercial equipment	-	331	-	-	-	2,484	-	3,438	6,253
Office furniture and equipment	-	58	-	-	-	101	-	-	159
Electronic office equipment	-	-	-	-	-	27	-	-	27
Transport equipment	-	-	-	-	-	13	-	-	13
Total property, plant and equipment	613	652	584	415	120	4,335	1,549	5,368	13,636
Intangible assets									
Aprilia brand	-	-	-	-	-	21,691	-	25,823	47,514
Guzzi brand	103	-	-	-	258	-	-	-	361
Total intangible assets	103	-	-	-	258	21,691	-	25,823	47,875
General total	**716**	**652**	**584**	**415**	**378**	**26,026**	**1,549**	**31,191**	**61,511**

Guarantees

As of 31 December 2010, the Company had land and buildings encumbered by mortgage liens or privileges in favour of banks to secure loans obtained in previous years.

16. Investment Property *€/000 0*

As of 31 December 2010 no investment property was held.

17. Equity investments *€/000 39,536*

The Equity investments heading comprises:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Equity investments in subsidiaries	39,345	40,290	(945)
Equity investments in affiliated companies	191	191	0
Total	**39,536**	**40,481**	**(945)**

Movements for the period are shown below:

In thousands of Euros	Carrying amount as of 31/12/2009	Increases	Write-downs	Disposals	Carrying amount as of 31/12/2010
Subsidiaries					
Piaggio Vespa B.V.	11,927				11,927
Piaggio Vehicles Pvt Ltd	15,793				15,793
Nacional Motor	6,653		(1,000)		5,653
Piaggio Vietnam Co Ltd	1,440				1,440
Piaggio Finance	31				31
Piaggio China Ltd	0				0
AWS B.V.	0				0
P&D S.p.a. in liquidation	219	103	(38)		284
Aprilia Racing S.r.l.	1,440				1,440
Piaggio Espana SL	2,721				2,721
Moto Laverda in liquidation	66		(10)		56
Total subsidiaries	**40,290**	**103**	**(1,048)**	**0**	**39,345**
Associated companies					
Zongshen Piaggio Foshan	0				0
Pontech Soc. Cons. a.r.l.	181				181
Immsi Audit S.c.a.r.l.	10				10
Fondazione Piaggio onlus	0				0
Total affiliated companies	**191**	**0**	**0**	**0**	**191**
Total equity investments	**40,481**	**103**	**(1,048)**	**0**	**39,536**

Equity investments in subsidiaries €/000 39,345

During the period, equity investments in P&D S.p.A. and Moto Laverda S.r.l., both in liquidation, amounting to €/000 38 and €/000 10 respectively, were written down following losses in the period.
The equity investment in Nacional Motor was measured at fair value, based on the market value. Results of the sensitivity analysis led to a write-down of the equity investment, on a cautionary basis, of €/000 1,000.

Investments in associates €/000 191

No changes took place during the year.

18. Other non-current financial assets *€/000 18,222*

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Receivables from subsidiaries	168	1,523	(1,355)
Equity investments in other companies	165	165	0
Securities available for sale	17,889	19,500	(1,611)
Total	**18,222**	**21,188**	**(2,966)**

The decrease in non-current financial receivables due from subsidiaries is related to reimbursements from the subsidiary Nacional Motor (€/000 1,346) and from Piaggio China (€/000 9).

The table below shows the breakdown of equity investments in other companies:

Other companies	Carrying amount as of 31 December 2010
In thousands of Euros	
Accounted for using the cost method:	
Sviluppo Italia Liguria S.c.p.a. (formerly Bic Liguria S.p.a.)	5
Consorzio Pisa Ricerche	76
A.N.C.M.A. – Rome	2
GEOFOR S.p.a.	47
E.CO.FOR. Service S.p.a.	2
FGM & CC S.p.A. (formerly Consorzio Fiat Media Center)	3
Mitsuba FN Europe S.p.a.	0
IVM GMBH	9
S.C.P.S.T.V.	21
Total other companies	**165**

No changes took place during 2010.

19. Current and non-current tax receivables *€/000 14,533*

Tax receivables totalled €/000 14,533 as of 31/12/2010 and consist of the following:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
VAT receivables	10,591	461	10,130
Tax receivables for taxes to be reimbursed	1,197	1,101	96
Other tax receivables	2,745	4,025	(1,280)
Total	**14,533**	**5,587**	**8,946**

Non-current tax receivables total €/000 967 compared to €/000 892 as of 31 December 2009. During the period, reimbursements of €/000 58 were recorded, as well as new increases of €/000 132 mainly attributable to taxes for which litigation is ongoing and a positive outcome is expected.

Current tax receivables total €/000 13,566 compared to €/000 4,695 as of 31 December 2009. The increase of €/000 8,871 is mainly due to the VAT receivable which went up from €/000 461 to €/000 10,591.

20. Deferred tax assets *€/000 30,801*

Deferred tax assets total €/000 30,801 compared to €/000 29,377 as of 31 December 2009, recording a positive change of €/000 1,424.

The balance as of 31 December 2010 includes deferred tax assets of €/000 2,815 from the merged company Moto Guzzi. The latter amount relates to the 2007 tax loss reported by the merged company and transferred to the parent company IMMSI under the consolidated tax convention and refers to the amount that IMMSI has to pay against the portion of the aforesaid tax loss still not used.

The balance as of 31 December 2010 includes deferred tax assets of €/000 3,125 relative to the 2010 tax loss of Piaggio transferred to IMMSI under the consolidated tax convention that IMMSI will use in future years.

The positive change of €/000 1,424 was generated from: €/000 13,373 relative to deferred tax assets of previous years recorded in the income statement, from €/000 885 due to decreases arising from reclassifications and from €/000 15,682 due to the recognition of new deferred tax assets of which €/000 178 directly recorded in shareholders' equity.

Additional deferred tax assets amounting to €/000 15,682 were recognised in light of forecast results of Piaggio & C. S.p.A., relative use in future years and considering the different dynamics in use and the expiry of relative tax benefits.

Details of items affected by the allocation of deferred tax assets as well as the amount of deferred tax assets already recognised and not recognised are shown in the table below.

	Amount	Tax effect 27.5%	Tax effect 3.9%
In thousands of Euros			
Provisions for risks	11,002	3,026	354
Provision for product warranties	14,815	4,074	577
Provision for bad debts	20,550	5,651	
Provisions for obsolete stock	28,197	7,754	1,100
Other changes	4,785	1,316	42
Total for provisions and other changes	**79,349**	**21,821**	**2,073**
IAS effects	**24**	**7**	**1**
2006 tax loss including Moto Guzzi	7,749	2,131	
2007 tax loss including Moto Guzzi transferred to IMMSI	10,236	2,815	
2010 tax loss transferred to IMMSI	11,363	3,125	
Total out of tax losses	**29,348**	**8,071**	**0**
Losses from the fair value adjustment of current financial assets available for sale	**646**	**178**	**0**
Deferred tax assets already recognised		**30,801**	
Deferred tax assets not recognised for provisions and other changes		**1,350**	

Overall, deferred tax assets can be summarised as follows:

	Values as of 31 December 2009	Portion issued to the income statement	Portion recognised in shareholders' equity	Reclassification of shareholders' equity	Portion allocated to the income statement	Portion allocated to shareholders' equity	Values as of 31 December 2010
In thousands of Euros							
Deferred tax assets for:							
Temporary changes	18,358	(7,506)		(679)	12,379	178	22,730
Previous tax losses	7,998	(5,867)					2,131
Losses transferred within the framework of tax consolidation	3,021			(206)	3,125		5,940
Total	**29,377**	**(13,373)**	**0**	**(885)**	**15,504**	**178**	**30,801**

21. Current trade receivables *€/000 91,273*

Current trade receivables amounted to €/000 91,273 compared to €/000 114,141 as of 31 December 2009, registering a decrease of €/000 22,868.
No non-current trade receivables were recorded for either period.

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Trade receivables	56,495	76,691	(20,196)
Trade receivables due from subsidiaries	33,005	36,977	(3,972)
Trade receivables due from associated companies	1,773	461	1,312
Trade receivables due from parent companies	-	12	(12)
Total	**91,273**	**114,141**	**(22,868)**

Trade receivables are recorded net of a provision for bad debts equal to €/000 16,418.

The item Trade receivables comprises receivables referred to normal sales transactions.

The item includes receivables in foreign currency, comprising CAD/000 3,883, CHF/000 5,530, GBP/000 1,078, JPY/000 376,231, SEK/000 1,630, SGD/000 24 and USD/000 2,528, for a total exchange value, at the exchange rate in effect as of 31 December 2010, of €/000 14,140.

The item also includes invoices to issue amounting to €/000 723, referring to normal sales transactions and credit notes to issue amounting to €/000 15,678, mainly concerning premiums for the sales network in Italy and other countries reaching sales targets, as well as bills under reserve and cash orders presented to banks and still in effect for €/000 1,300.

Trade receivables due from national clients are usually sold to factoring companies and mainly on a without recourse and advance payment collection basis.

The Company sells a large part of its trade receivables with and without recourse. Piaggio has signed contracts with some of the most important Italian and foreign factoring companies as a move to optimise the monitoring and the management of its trade receivables, besides offering its customers an instrument for funding their own inventories. As of 31 December 2010 trade receivables still due, sold without recourse totalled €/000 75,617. Of these amounts, Piaggio received payment prior to natural expiry, of €/000 72,396.

As of 31 December 2010, advance payments received from factoring companies and banks, for trade receivables sold with recourse totalled €/000 26,852 with a counter entry recorded in current liabilities.

Movements for the provision for bad trade debts were as follows:

In thousands of Euros	
Opening balance as of 31 December 2009	**15,832**
Decreases for use	(899)
Increases for allocations	1,054
Reclassifications from the provision for bad debts relative to sundry receivables	10
Reclassifications from the provision for bad debts relative to receivables recognised as liabilities	464
Reclassifications from the provision for bad debts relative to long-term receivables	(43)
Closing balance as of 31 December 2010	**16,418**

During the period, €/000 899 of the provision for bad debts was used to cover losses.
Allocations to the provision were made against risks arising from the valuation of receivables as of 31 December 2010.

Trade receivables due from subsidiaries refer to the supply of products undertaken in normal market conditions.

22. Other current and non-current receivables *€/000 47,975*

Other non-current trade receivables totalled €/000 4,405 compared to €/000 4,332 as of 31 December 2009.
Their breakdown was as follows:

Altri crediti non correnti	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Other non-current receivables:			
- due from affiliated companies	306	321	(15)
- due from others	**4,099**	**4,011**	**88**

The item "Other" includes guarantee deposits for €/000 218 and prepaid expenses for €/000 3,791, with the latter item registering an increase compared to the previous year's figure of €/000 177.
Current trade receivables amounted to €/000 43,570 compared to €/000 59,191 as of 31 December 2009, registering a decrease of €/000 15,621

Their breakdown is as follows:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Other receivables due from subsidiaries	24,341	37,737	(13,396)
Other receivables due from associated companies	186	78	108
Other receivables due from parent companies	5,795	3,988	1,807
Other receivables due from third parties	13,248	17,388	(4,140)
Total	**43,570**	**59,191**	**(15,621)**

The item other receivables due from third parties comprises the following:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Receivables from employees	683	678	5
Sundry receivables from third parties:			
Advances on the provision of services	126	123	3
Balances of receivables from suppliers and other parties	3,478	5,840	(2,362)
Invoices and credit to issue	1,354	1,781	(427)
Sundry receivables due from Italian and foreign third parties	3,647	3,907	(260)
Receivables for the sale of property	17	302	(285)
Receivables for equipment grants	213	2,530	(2,317)
Receivables for operating grants	694	13	681
Other receivables	3,036	2,214	822
Total	**13,248**	**17,388**	**(4,140)**

Receivables to employees refer to advances paid for secondments, sick leave, contract advances, cash provisions, etc.
Sundry receivables of €/000 3,647 mainly refer to receivables from Italian and foreign parties, originating from transactions not related to typical activities. The item includes receivables in foreign currency, of VND/000 55,000,000 for a total exchange value, at the exchange rate in effect as of 31/12/2010, of €/000 2,111 and is recorded net of provision for write-downs of €/000 1808.

Movements for the provision for bad debts relative to sundry receivables were as follows:

In thousands of Euros	
Opening balance as of 31 December 2009	**2,447**
Decreases for use	(828)
Increases for allocations	199
Reclassifications to the provision for bad debts relative to trade receivables	(10)
Closing balance as of 31 December 2010	**1,808**

During the period, €/000 828 of the provision for bad debts relative to sundry receivables was used to cover losses.
Allocations to the provision were made against risks arising from the valuation of other receivables as of 31 December 2010.

23. Inventories €/000 178,462

As of 31 December 2010, this item totalled €/000 178,462, compared to €/000 195,817 at the end of 2009, and consisted of:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Raw materials and consumables	73,071	85,615	(12,544)
Provisions for write-down	(8,540)	(9,406)	866
Net value	**64,531**	**76,209**	**(11,678)**
Work in progress and semifinished products	23,207	19,180	4,027
Provisions for write-down	(852)	(852)	0
Net value	**22,355**	**18,328**	**4,027**
Finished products and goods	110,449	119,463	(9,014)
Provisions for write-down	(18,873)	(18,183)	(690)
Net value	**91,576**	**101,280**	**(9,704)**
Advances			0
Total	**178,462**	**195,817**	**(17,355)**

Movements for the obsolescence fund are summarised in the table below:

	As of 31/12/2009	Use	Allocation	Reclassification	As of 31/12/2010
In thousands of Euros					
Raw materials and consumables	9,406	(1,908)	1,042		8,540
Work in progress and semifinished products	852				852
Finished products and goods	18,183	(3,158)	3,779	69	18,873
Total	**28,441**	**(5,066)**	**4,821**	**69**	**28,265**

24. Other current financial assets €/000 52,099

This item comprises:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Financial receivables due from subsidiaries	29,048	28,585	463
Government securities available for sale	23,051		23,051
Total	**52,099**	**28,585**	**23,514**

The item Financial receivables due from subsidiaries refers to loans in favour of Piaggio Group Americas for €/000 12,349, Aprilia World Service BV for €/000 5,601, Aprilia Racing for €/000 3,030, Nacional Motor for €/000 6,028 and Piaggio Espana SL for €/000 2,040.

25. Cash and cash equivalents €/000 106,806

The item mainly refers to bank deposits payable on demand and in the short term, as well as a P/T operation on securities, with maturity within 3 months from the end of the reporting period.

Cash and cash equivalents totalled €/000 106,806 against €/000 175,991 as of 31 December 2009, as detailed below:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Bank and post office deposits	81,761	175,959	(94,198)
P/T on securities	25,000		25,000
Cash and assets in hand	45	32	13
Total	**106,806**	**175,991**	**(69,185)**

26. Assets held for sale *€/000 0*

As of 31 December 2010, there were no assets held for sale.

27. Breakdown by geographic segment of receivables recognised as assets

Receivables recognised as assets in the Statement of Financial Position as of 31 December 2010 are broken down by geographic segment as follows:

	Italy	Europe	India	United States	Asia	Other countries	Total
In thousands of Euros							
Other non-current financial assets	18,213	9					18,222
Medium-/long-term tax receivables	777	190					967
Other non-current receivables	4,405						4,405
Total non-current assets	*23,395*	*199*	*0*	*0*	*0*	*0*	*23,594*
Current trade receivables	15,831	51,104	1,412	4,530	13,947	4,449	91,273
Other current receivables	16,055	9,878	12,508	63	5,063	3	43,570
Short-term tax receivables	13,520	46					13,566
Current financial assets	26,081	13,669		12,349			52,099
Total current assets	*71,487*	*74,697*	*13,920*	*16,942*	*19,010*	*4,452*	*200,508*
Total	**94,882**	**74,896**	**13,920**	**16,942**	**19,010**	**4,452**	**224,102**

28. Receivables due after 5 years *€/000 0*

As of 31 December 2010, there were no receivables due after 5 years.

Information on the statement of financial position - Liabilities

29. Share capital and reserves *€/000 319,458*

Share capital €/000 203,348

The change in share capital during the period was as follows:

In thousands of Euros	
Subscribed and paid up capital	205,941
Treasury shares purchased as of 31 December 2009	(14,324)
Share capital as of 1 January 2010	191,617
Cancellation of treasury shares	12,608
Purchase of treasury shares	(877)
Share Capital as of 31 December 2010	**203,348**

On 16 April 2010 the General Meeting of Shareholders of Piaggio & C, resolved to annul 24,247,007 treasury shares of the Company (equal to 6.12% of the share capital), with the elimination of the par value of ordinary shares in circulation and without a reduction in the amount of share capital. As from 10 May 2010, following the filing of the resolution in the Register of Companies, the nominal share capital of Piaggio & C., fully subscribed and paid up, has not changed and amounts to € 205,941,272.16 divided into 371,793,901 ordinary shares.

During the period, following the resolution passed at the General Meeting of Shareholders on 16 April 2009, the Company purchased 1,582,711 treasury shares.
Therefore, as of 31 December 2010 the Company held 4,882,711 treasury shares, equal to 1.31% of the share capital.
In accordance with international accounting standards, the acquisitions were recognised as a decrease of shareholders' equity.

Share premium reserve €/000 3,493

The share premium reserve as of 31 December 2010 amounted to €/000 3,493, with the balance unchanged compared to the previous year.

Legal reserve €/000 11,299

The legal reserve increased by €/000 2,303 as a result of the allocation of earnings for the last period.

Other provisions €/000 38,327

This item consists of:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Stock option reserve	11,929	9,280	2,649
Financial instruments' fair value reserve	(227)	126	(353)
IFRS transition reserve	11,435	11,435	0
Reserve for the fair value adjustment of financial assets available for sale	15,190	17,259	(2,069)
Total other provisions	**38,327**	**38,100**	**227**

The financial instruments fair value reserve is negative and refers solely to the effect of cash flow hedge accounting. As of 31 December 2009, this valuation was positive, amounting to €/000 126.
The reserve for the fair value adjustment of financial assets available for sale refers to €/000 15,658, to the positive valuation of portions received for the contribution of the industrial sites at Pisa and Lugnano to the "Atlantic 12" property investment fund and to €/000 468 for the negative valuation of government securities.

Distributed dividends €/000 25,765

In May 2010, dividends totalling €/000 25,765 were paid. In May 2009, dividends totalling €/000 22,117 were paid.

Performance reserve €/000 81,839

Other net income (losses) €/000 (2,422)

The value of Other net income (losses) consists of:

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
The effective portion of net income (losses) on cash flow hedging instruments generated in the period	(227)	126	(353)
The effective portion of net income (losses) on cash flow hedging instruments reclassified in the consolidated income statement	(126)	409	(535)
Total of profits (losses) on cash flow hedges	**(353)**	**535**	**(888)**
Profits (losses) generated in the period for the fair value adjustment of financial assets available for sale	(2,069)	17,259	(19,328)
Total profits (losses) recognised in Shareholders' equity	**(2,422)**	**17,794**	**(20,216)**

Individual items of Shareholders' equity are analytically presented in the table below, based on origin, availability and use in the three previous years.

Type/description	Value	Possible use	Portion available	2007 uses to cover losses
In thousands of Euros				
Nominal value of capital	205,941			
Nominal value of acquired treasury shares	(2,593)			
Capital reserves:				
Share premium	3,493	A,B,C(*)	3,493	32,961
Profit reserves:				
Legal reserve	11,299	B	---	
IAS transition reserve	11,435	A,B,C	11,435	1,746
Stock option reserve	11,929	A,B,C	11,929	
Financial instruments' fair value reserve	(227)		---	
Reserve for the fair value adjustment of financial assets available for sale	15,190		---	
Total Reserves	53,119		26,857	34,707
Retained profits (losses)	73,783			
Greater cost of acquired treasury shares	(10,792)			
	62,991	A,B,C		
Profits (losses) for the period	18,848			
Total shareholders' equity	**338,306**			

Key:
To: to increase capital
B: to cover losses
C: to allocate to shareholders
(*) wholly available to increase capital and cover losses.
For other uses the legal reserve must be previously adjusted to 20% of the Share Capital (even by transferring funds from the share premium reserve). As of 31 December 2010 this adjustment would be equal to €/000 29,889.

Pursuant to article 2426 section 5 of the Italian Civil Code, shareholders' equity is not available for the value of development costs still to be amortised that amount to €/000 49,387 as of 31 December 2010

30. Current and non-current financial liabilities — *€/000 501,073*

Non-current financial liabilities totalled €/000 363,869 against €/000 443,164 as of 31 December 2009, whereas other current financial liabilities totalled €/000 137,204 compared to €/000 109,761 as of 31 December 2009.
As indicated in the table on net debt in the financial statements, total net debt went down from €/000 348,350 as of 31 December 2009 to €/000 342,169 as of 31 December 2010, registering a decrease of €/000 6,181.
The tables below show the composition of financial debt as of 31 December 2010 and 31 December 2009, as well as movements for the year.

	As of 31 December 2009	Repay-ments	New issues	Reclassifications to current portion	Exchange delta	Other changes	As of 31 December 2010
In thousands of Euros							
Non-current portion:							
Medium-/long-term bank loans	289,873		310	(82,929)		353	207,607
Bonds	137,665					1,342	139,007
Other medium-/long-term loans							
- of which amounts due other M.I.C.A. lenders	7,365		6,740	(4,320)			9,785
- of which amounts due under leases	8,261			(791)			7,470
- of which amounts due to subsidiaries	0						0
Total other loans over 12 months	15,626	0	6,740	(5,111)	0	0	17,255
Total	**443,164**	**0**	**7,050**	**(88,040)**	**0**	**1,695**	**363,869**

	As of 31 December 2009	Repay-ments	New issues	Reclassifications to current portion	Exchange delta	Other changes	As of 31 December 2010
Current portion:							
Current account overdrafts	737	(736)					1
Current account payables	13,536	(13,536)	15,946				15,946
Payables due to factoring companies	26,598	(3,344)					23,254
Payables due to subsidiaries	6785		3,178				9,963
Current portion of medium-/long-term loans:							0
- of which leasing	758	(758)		791			791
- of which due to banks	55,312	(55,565)		82,929		253	82,929
- of which EMH instruments	3,500	(3,500)					0
- of which due to other M.I.C.A. lenders	2,535	(2,924)	389	4,320			4,320
Total loans due within the year	62,105	(62,747)	389	88,040	0	253	88,040
Total	**109,761**	**(80,363)**	**19,513**	**88,040**	**0**	**253**	**137,204**

The breakdown of the debt is as follows:

	Book value as of 31/12/2010	Book value as of 31/12/2009	Par value as of 31/12/2010	Par value as of 31/12/2009
In thousands of Euros				
Bank financing	306,483	359,457	307,339	360,918
Bonds	139,007	137,665	150,000	150,000
Other medium-/long-term loans:				
- of which leasing	8,261	9,019	8,261	9,019
- of which amounts due to other lenders	37,359	36,499	37,359	36,499
- of which EMH instruments	0	3,500	0	3,500
- of which amounts due to subsidiaries	9,963	6,785	9,963	6,785
Total other loans	55,583	55,803	55,583	55,803
Total	**501,073**	**552,925**	**512,922**	**566,721**

The table below shows the debt servicing schedule as of 31 December 2010:

	Notional Value as of 31/12/2010	Amounts falling due within 12 months	Amounts falling due after 12 months	Amounts falling due in				
				2012	2013	2014	2015	Beyond
In thousands of Euros								
Bank financing	307,339	99,428	207,910	122,591	28,971	22,142	22,144	12,062
Bonds	150,000	0	150,000					150,000
Other medium-/long-term loans:								
- of which leasing	8,261	791	7,471	827	866	5,778		
- of which amounts due to other lenders	37,359	27,574	9,785	3,872	1,588	1,597	1,605	1,123
- of which Aprilia instruments	0							
- of which amounts due to subsidiaries	9,963	9,963	0					
Total other loans	55,583	38,328	17,256	4,699	2,454	7,375	1,605	1,123
Total	**512,922**	**137,756**	**375,166**	**127,290**	**31,425**	**29,517**	**23,749**	**163,185**

The following table analyses financial debt by currency and interest rate.

	Book value as of 31/12/2009	Book value	Notional value	Applicable interest rate
		as of 31/12/2010		
In thousands of Euros				
USD	13,536	12,348	12,348	1.024%
CHF	0	3,597	3,597	1.212%
Euro	539,389	485,128	496,977	3.171%
Total	**552,925**	**501,073**	**512,922**	**3.106%**

Medium and long-term bank debt amounts to €/000 290,536 (of which €/000 207,607 non-current and €/000 82,929 current) and consists of the following loans:

› €/000 117,857 medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. The contractual terms envisage loan covenants but exclude guarantees. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;

- a €/000 89,396 (par value €/000 90,000) medium-term loan from a pool of banks granted in July 2009 by Banca Nazionale del Lavoro as banking agent and paid in August 2009. The loan will fall due in August 2012, with an initial grace period of 18 months and three six-monthly instalments. The economic terms provide for a variable interest rate linked to the six-month Euribor rate plus an initial margin of 1.90%. This margin may vary from a minimum of 1.65% to a maximum of 2.20% based on the Net financial debt / Ebitda ratio (as of 31 December 2010 this margin was equal to 1.65%). Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- €/000 55,250 (par value €/000 55,500) loan from Mediobanca and Banca Intesa San Paolo. In April 2006, this loan was syndicated to a restricted pool of banks and is part of a more articulated loan package. The loan package consisted of an initial instalment of €/000 150,000 (nominal value) which has been fully drawn on (as of 31 December 2010 €/000 55,500 was still due) and a second instalment of €/000 100,000 to be used as a credit line (as of 31 December 2010 still not used). The structure envisages a 7-year term, with a grace period of 18 months and 11 six-monthly instalments with the last maturity on 23 December 2012 for the loan instalment, a variable interest rate linked to the six-month Euribor rate to which a variable spread between a maximum of 2.10% and a minimum of 0.65% is added depending on the Net Financial Debt/EBITDA ratio (as of 31 December 2010 this margin was equal to 0.90%). For the instalment relating to the credit line there is a commitment fee of 0.25%. Guarantees are not issued. However in line with market practice, some financial parameters must be complied with. It should be noted that, in reference to the 2010 period, these parameters were comfortably met;
- a €/000 18,750 five-year unsecured loan from Interbanca entered into in September 2008;
- a €/000 614 loan from Interbanca in accordance with Law 346/88 regarding subsidies for applied research, secured by a mortgage lien on property;
- €/000 2,691 as a non-interest bearing loan originally granted by Banca Antonveneta to a subsidiary of the Aprilia Group following the acquisition charged to the Company; the lump sum due date is in 2011;
- a €/000 1,374 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 3,104 subsidised loan from Banca Intesa San Paolo under Law 346/88 regarding applied research;
- a €/000 1,500 eight-year subsidised loan from ICCREA in December 2008 granted under Law 100/90 and linked to the SIMEST equity investment in the Vietnamese company:

The item Bonds amounting to €/000 139,007) refers to the high-yield debenture loan issued on 4 December 2009 by Piaggio & C. S.p.A., for a nominal amount of €/000 150,000, falling due on 1 December 2016 and with a semi-annual coupon with fixed annual nominal rate of 7%. Standard & Poor's and Moody's confirmed their ratings of BB and Ba2 in 2010, both revising their outlook from negative to stable.

Medium-/long-term payables due to other lenders equal to €/000 22,366 of which €/000 17,255 due after 1 year and €/000 5,111 as the current portion, as detailed as follows:
- subsidised loans for a total of €/000 14,105 provided by the Ministry of Economic Development using regulations to encourage investments in research and development (non-current portion of €/000 9,785).
- a finance lease of €/000 8,261 granted following the merger with Moto Guzzi S.p.A. (non-current portion equal to €/000 7,470);

Financial advances received from factoring companies and banks, on the sale of trade receivables with recourse, total €/000 26,852

Financial instruments

Exchange Risk

NIn 2010, the exchange risk was managed in line with the Group policy, which aims to neutralise the possible negative effects of exchange rate changes on company *cash-flow*, by hedging the business risk which concerns changes in company profitability compared to the annual business budget on the basis of a key change (the so-called "budget change") and of the transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment.

Exposure to the business risk consists of envisaged payables and receivables in foreign currency, taken from the budget for sales and purchases reclassified by currency and accrued on a monthly basis.
Exposure to the settlement risk consists of receivables and payables in foreign currency acquired in the accounting system at any moment. The hedge must at all times be equal to 100% of the import, export or net settlement exposure for each currency.
As regards contracts in place to hedge exchange risk on foreign transactions (business risk), as of 31 December 2010 Piaggio & C. S.p.A. had in place the following forward purchase contracts:

- for a value of JPY/000 15,000 corresponding to €/000 139 (valued at the forward exchange rate), with average maturity on 18 January 2011;
- for a value of CHF/000 4,715 corresponding to €/000 3,777 (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of GBP/000 3,480 corresponding to €/000 4,076 (valued at the forward exchange rate), with average maturity on 14 February 2011;
- for a value of USD/000 4,095 corresponding to €/000 3,096 (valued at the forward exchange rate), with average maturity on 18 January 2011;

As of 31 December 2010, the following forward purchase contracts were ongoing:

- for a value of USD/000 970 corresponding to €/000 734 (valued at the forward exchange rate), with average maturity on 10 February 2011;
- for a value of SEK/000 1,000 corresponding to €/000 109 (valued at the forward exchange rate), with average maturity on 2 March 2011;
- for a value of JPY/000 158,500 corresponding to €/000 1,432 (valued at the forward exchange rate), with average maturity on 3 February 2011;
- for a value of GBP/000 3,270 corresponding to €/000 3,814 (valued at the forward exchange rate), with average maturity on 17 February 2011;
- for a value of CHF/000 5,625 corresponding to €/000 4,251 (valued at the forward exchange rate), with average maturity on 27 February 2011;
- for a value of CAD/000 6,385 corresponding to €/000 4,749 (valued at the forward exchange rate), with average maturity on 19 January 2011;

As regards contracts in place to hedge the exchange risk of forecast transactions (business risk), as of 31 December 2010, forward purchase contracts were ongoing for a value of CNY/000 230,000 corresponding to €/000 25,711 (valued at the forward exchange rate) with average maturity on 20 April 2011 and USD/000 6,000 corresponding to €/000 4,333 (valued at the forward exchange rate) with average maturity on 27 April 2011 and forward sales contracts for CHF/000 20,500 corresponding in total to €/000 15,450 (valued at the forward exchange rate) with average maturity on 20 June 2011 and GBP/000 13,200 corresponding in total to €/000 15,309 (valued at the forward exchange rate) with average maturity on 8 June 2011.

31. Trade receivables (current) *€/000 285,944*

Trade payables are wholly included under current liabilities and total €/000 285,944, compared to €/000 299,709 as of 31 December 2009.

Current liabilities	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Amounts due to suppliers	240,677	263,200	(22,523)
Amounts due to subsidiaries	33,661	24,954	8,707
Amounts due to affiliated companies	10,809	11,114	(305)
Amounts due to parent companies	797	441	356
Total	**285,944**	**299,709**	**(13,765)**

The item comprises trade payables of €/000 272,127 for the purchase of goods and services for business operations and €/000 13,817 for the purchase of asset.
The item includes receivables in foreign currency, comprising CHF/000 242, GBP/000 1,128, HKD/000 55, INR/000 3,850, JPY/000 355,896, USD/000 6,703, SEK/000 772, RMB/000 287, SGD/000 46, CAD/000 5, for a total exchange value of €/000 9,962.
As regards the amount of €/000 469, the payment of amounts due under this item is guaranteed by bank guarantees.

32. Reserves (current and non-current portion) *€/000 33,941*

The breakdown and changes in provisions for risks and charges during the period were as follows:

In thousands of Euros	As of 31 Dec 2009	Allocations	Applications	Adjustment	Reclassification	As of 31 Dec 2010
Provisions for risks						
Provision for equity investment risks	11,977			(5,285)		6,692
Provisions for contractual risks	9,520		(1,500)	(275)		7,745
Provision for litigation risks	2,741	500	(60)			3,181
Provision for guarantee risks	76					76
Provision for bad debts	888		(424)		(464)	0
Provisions for tax risks	76	1,376	(20)			1,432
Total provisions for risks	**25,278**	**1,876**	**(2,004)**	**(5,560)**	**(464)**	**19,126**
Provisions for expenses						
Provision for product warranties	16,046	11,586	(12,817)			14,815
Total provisions for expenses	**16,046**	**11,586**	**(12,817)**	**0**	**0**	**14,815**
Total provisions for risks and charges	**41,324**	**13,462**	**(14,821)**	**(5,560)**	**(464)**	**33,941**

The breakdown between the current and non-current portion of long-term provisions is as follows:

Non-current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Provision for equity investment risks	6,692	11,977	(5,285)
Provisions for contractual risks	6,796	6,437	359
Provision for litigation risks	2,981	2,741	240
Provision for guarantee risks	76	76	0
Provision for bad debts		888	(888)
Provision for product warranties	4,445	4,814	(369)
Total non-current portion	**20,990**	**26,933**	**(5,943)**

Current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Provisions for contractual risks	949	3,083	(2,134)
Provision for litigation risks	200		200
Provisions for tax risks	1,432	76	1,356
Provision for product warranties	10,370	11,232	(862)
Total current portion	**12,951**	**14,391**	**(1,440)**

The provision for equity investment risks as of 31 December 2010 referred to:
- €/000 6,497 to the subsidiary Aprilia World Service B.V. in view of future expenses expected to be incurred for the equity investment.
- €/000 195 to the subsidiary Piaggio China Co. Ltd.

The provision for contract risks refers to:
- €/000 4,217 for expenses that could arise from the renegotiation of a supply contract.
- €/000 848 for expenses expected for the three-year managerial plan.
- €/000 2,681 for expenses that could arise from the termination of purchase agreements.

The provision for litigation concerns €/000 1,005 for labour litigation and the difference of €/000 2,176 refers to other legal proceedings.
The provision for guarantee risks refers to expenses expected to be incurred for guarantees issued for the sale of equity investments.
The provision for tax risks concerns council tax for €/000 55 and other potential tax liabilities for €/000 1,377.
The provision for product warranties of €/000 14,814 refers to potential liabilities related to the sale of products. The provision refers to allocations for technical assistance on products covered by customer service which are estimated to be provided over the contractually envisaged warranty period. This period varies according to the type of goods sold to the sales market and to customer take-up to commit to a scheduled maintenance plan.
The provision increased during the year by €/000 11,586 for new allocations and was used for €/000 12,817 in relation to warranty expenses incurred during the year.

33. Deferred tax liabilities — *€/000 24,072*

Provisions for deferred tax liabilities recognised the Financial Statements refer to:
- €/000 4,335 for the surplus value recognised by the merged company Aprilia in 2005 for buildings already held through leases, and purchased back by Aprilia Leasing S.p.A.
- €/000 4 for dividends resolved on by Piaggio Espana, still to be collected.
- €/000 13 for dividends resolved on by Aprilia Racing, still to be collected.
- €/000 28 for dividends resolved on by Piaggio Vietnam (Simest portion), still to be collected.
- €/000 246 for funds to collect for research and development projects.
- €/000 1,599 for accumulated amortisation minus tax-recognised goodwill values.
- €/000 2,840 for tax-deducted costs, off the accounts, in relation to the application of IAS/IFRS.
- €/000 6,411 for allocation of the merger loss to the Aprilia brand, arising from its merger in 2005.
- €/000 8,596 for allocation of the merger loss to the Guzzi brand, arising from its merger in 2008.

Provisions for deferred tax liabilities were reduced in the period by €/000 2,140 following issue of the relative portion and increased overall by €/000 507 due to new provisions recorded in the income statement.

34. Retirement funds and employee benefits — *€/000 55,929*

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Provision for retirement	150	365	(215)
Post-employment benefits	55,779	58,182	(2,403)
Total	**55,929**	**58,547**	**(2,618)**

The provision for retirement mainly consists of supplementary client funds, representing the amounts payable to agents if agency agreements are terminated for reasons not attributable to them. €/000 210 of this fund was used in the year, for the payment of benefits already accrued in previous years, adjusted by €/000 18 due the effect of benefits not due and increased by €/000 13 for benefits accrued in the period.

Movements for post-employment benefits are as follows:

Post-employment benefits	
In thousands of Euros	
Value As of 31 December 2009	**58,182**
Cost for the period	9,308
Interest cost	2,587
Use and transfers of retirement funds	(14,485)
Other movements	187
Value as of 31 December 2010	**55,779**

With regard to the 2007-2009 incentive plan approved by the General Meeting of Shareholders on 7 May 2007 for executives of the Company or of its Italian and/or foreign subsidiaries, in compliance with article 2359 of the Italian Civil Code, as well as for directors having powers in the aforesaid subsidiaries ("2007-2009 Plan"), the following transactions took place during the period:

- on 4 January 2010, 500,000 options were assigned at an exercise price of 1.892 Euro. On the date of assignment of the options, the market price of the underlying financial instruments was 2.004 Euro;
- on 6 February 2010 75,000 option rights expired;
- on 30 September 2010 90,000 option rights expired.

As of 31 December 2010, 8,430,000 option rights had been assigned for a corresponding number of shares.
On 13 January 2011, 500,000 option rights expired.
Detailed information on the 2007-2009 Plan is available in the documents published by the Issuer in accordance with article 84-bis of Consob Regulation on Issuers. These documents can be viewed on the institutional web site www.piaggiogroup.com, under Investors / Financial Press Releases.

As previously mentioned in the section on consolidation principles, the cost of payments, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model, that uses the average historical volatility of the share of the Company and average interest rate of loans with a maturity equal to the duration of the agreement, is recognised under employee costs on a straight line basis in the period between the date of assignment and date of accrual, with a counter entry directly recognised in shareholders' equity.

As required by Consob regulations, the table below indicates the options assigned to members of the board, to general directors and executives with strategic responsibility:

	Position	Options held at the start of the period			Options held during the period		
		No. of options	Average exercise price	Average maturity	No. ùof options	Average exercise price	Average maturity
Roman Maurizio[2]	General Director Operations				500,000	1.892	1/03/2012
Pallottini Michele	General Director Finance	750,000	1.216	31/07/2013			
		1,500,000	1.826	13/06/2012			
Total		2,250,00			500,000		

35. Current and non-current tax payables *€/000 15,035*

Tax payables totalled €/000 15,035 compared to €/000 12,005 as of 31 December 2009.

In thousands of Euros	As of 31 December 2010	As of 31 December 2009	Change
Non-current portion:			
- Taxes withheld in a capacity as withholding agent	3,361		3,361
Current portion:			
Due for income taxes	2,047	5,157	(3,110)
Other tax payables for:			
- VAT	3,363	2,319	1,044
- Tax withheld at source	4,332	4,496	(164)
- Taxes withheld in a capacity as withholding agent	1,921	-	1,921
- Dutch vehicle registration tax		21	(21)
- Duty and tax records to pay	11	12	(1)
Total other tax payables	9,627	6,848	2,779
Total current portion	**11,674**	**12,005**	**(331)**
Total	**15,035**	**12,005**	**3,030**

Current tax payables of €/000 2,047 refer to taxes paid abroad on income generated abroad (royalties, know-how and income generated from the Spanish branch).
Tax payables relative to income generated in Italy are offset against relative tax receivables. Regional production tax due for the year amounted to €/000 4,135. As regards corporate tax, the company reported a negative taxable income of €/000 14,340.
VAT to pay in EU member states refer to the amount due at the end of the year for VAT due in European states where direct identification was obtained with reference to this tax.
Payables for withheld taxes paid refer to the income of employee and outsourced work and commission.
The total amount payable of €/000 5,282, relative to taxes withheld in a capacity as withholding agent, refers to taxes withheld at source concerning the loan with the subsidiary Piaggio Finance, which stopped in the previous year.

Options exercised during the period			Options expired in the period	Options held at the end of the period		
No. of options	Average exercise price	Average maturity	No. of options	No. of options	Average exercise price	Average maturity
				500,000	1.892	1/03/2012
				750,000	1.216	31/07/2013
				1,500,000	1.826	13/06/2012
				2,750,000		

2_Left the Piaggio Group on 13 January 2011

36. Other payables (current and non-current) *€/000 49,636*

Non-current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Deferred income	2,490	4,674	(2,184)
Amounts due to social security institutions	1,002	1,002	0
Other payables	600	600	0
Total	**4,092**	**6,276**	**(2,184)**

Current portion	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Amounts due to subsidiaries	55	6,085	(6,030)
Amounts due to associated companies	58	34	24
Amounts due to parent companies	284	575	(291)
Amounts due to employees	21,506	31,231	(9,725)
Amounts due to social security institutions	8,754	8,885	(131)
Amounts due to company boards	456	418	38
Amounts due for temporary funding	173	819	(646)
Amounts due for financial statement assessments	362	180	182
Amounts due to customers	4,368	3,418	950
Deferred liabilities	3,543	3,971	(428)
Deferred income	2,469	2,894	(425)
Other payables	3,516	2,910	606
Total	**45,544**	**61,420**	**(15,876)**

Other payables included in non-current liabilities totalled €/000 4,092 against €/000 6,276 as of 31 December 2009, whereas other payables included in current liabilities totalled €/000 45,544 compared to €/000 61,420 as of 31 December 2009.

As regards the non-current portion:
- Deferred income refers to €/000 2,002 from equipment grants to be recorded in the income statement, in relation to depreciation, and to €/000 488. from income collected but referring to other years, concerning licence agreements.
- Sundry payables refer to €/000 600 for the guarantee deposit paid in 1997 by T.N.T. Automotive Logistics S.p.A. to guarantee the payment of termination benefits accrued by employees of the sold

company branch concerned with the receipt, packing, storage and distribution of spare parts and accessories.
› The item amounts due to social security institutions mainly refer to amounts due to these organisations for portions payable by the company and by employees for wages and sales of December and amounts allocated for the long-term laying-off provision, used by Piaggio & C. staff involved in the restructuring plan. Amounts due after 12 months refer to the amount due to social security for the above mentioned long-term laying off provision.

As regards the current portion:
› Amounts due to employees include the amount for holidays accrued but not taken of €/000 10,517 and refer to payments to be made for €/000 10,989.
› Contributions of €/000 173 refer to contributions relative to subsidies for research activities not yet acquired.

Amounts due to clients mainly refer to premiums for clients achieving sales targets that will be paid at the end of the reporting period and to credit notes for returns.
Deferred income refers to the short-term portion of licence agreements (€/000 201), equipment grants (€/000 2,199) as well as interest receivable on deferred payments to clients (€/000 69) of which income will be recorded in the income statement in the following year.
Deferred liabilities refer to €/000 3,074 for interest on loans, €/000 88 for interest on debenture loans, €/000 14 for interest on sundry payables and €/000 367 for sundry costs and expenses.

37. Breakdown by geographic segment of payables recognised as liabilities

Payables recognised as liabilities in the Statement of Financial Position as of 31 December 2010 are broken down by geographic segment as follows:

	Italy	Europe	India	Asia	Other Countries	Total
In thousands of Euros						
Non-current financial liabilities	246,012	117,857				363,869
Medium-/long-term tax payables	3,361					3,361
Other non-current payables	4,092					4,092
Total non-current liabilities	253,465	117,857	0	0	0	371,322
Current financial liabilities	127,464	9,740				137,204
Current trade payables	232,949	26,155	4,321	22,370	149	285,944
Current tax payables	6,265	3,808	1,376	225		11,674
Other current payables	42,611	2,733		200		45,544
Total current liabilities	409,289	42,436	5,697	22,795	149	480,366
Total	**662,754**	**160,293**	**5,697**	**22,795**	**149**	**851,688**

38. Payables due after 5 years

The company has loans due after 5 years, which are referred to in detail in Note 30 Financial Liabilities.

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D) Transactions With Related Parties

The main business and financial relations of Group companies with related parties have already been described in the specific paragraph in the Report on Operations to which reference is made here. To supplement this information, the following table provides an indication by company of outstanding items as of 31 December 2010, as well as their contribution to the respective headings.

		Figures in €/000	% of accounting item
Rapporti con società controllate			
P & D Spa			
	other current receivables	4	0.01%
	current financial liabilities	222	0.16%
	other current payables	31	0.07%
	other operating income	4	0.00%
	borrowing costs	2	0.01%
Nacional Motor			
	other current financial assets	6,028	11.57%
	current trade receivables	1,932	2.12%
	other current receivables	6,944	15.94%
	current trade payables	6,446	2.25%
	net sales	6,667	0.68%
	costs for materials	34,618	6.12%
	costs for services and lease and rental costs	999	0.40%
	employee costs	4	0.00%
	other operating income	356	0.28%
	financial income	136	5.39%
Piaggio España			
	other current financial assets	2,040	3.92%
	current trade receivables	445	0.49%
	other current receivables	356	0.82%
	current trade payables	4,201	1.47%
	net sales	2,103	0.22%
	costs for services and lease and rental costs	5,726	2.31%
	other operating income	57	0.05%
	financial income	43	1.72%
Piaggio Hrvatska			
	current trade receivables	1,294	1.42%
	other current receivables	1	0.00%
	current trade payables	33	0.01%
	net sales	3,853	0.39%
	costs for services and lease and rental costs	33	0.01%
	other operating income	14	0.01%
Piaggio France S.A.			
	current trade receivables	142	0.16%
	other current receivables	103	0.24%
	current trade payables	1,538	0.54%
	costs for services and lease and rental costs	7,599	3.07%
	other operating income	251	0.20%
	other operating costs	8	0.03%
Piaggio Deutschland GMBH			
	other current receivables	156	0.36%
	current trade payables	6,048	2.12%

		Figures in €/000	% of accounting item
	costs for services and lease and rental costs	7,294	2.94%
	other operating income	156	0.12%
Piaggio Limited			
	current trade receivables	3	0.00%
	other current receivables	40	0.09%
	current trade payables	1,872	0.65%
	costs for services and lease and rental costs	3,249	1.31%
	other operating income	40	0.03%
Aprilia Racing Srl			
	other current financial assets	3,030	5.82%
	current trade receivables	809	0.89%
	other current receivables	1,502	3.45%
	current trade payables	3,519	1.23%
	other current payables	24	0.05%
	net sales	467	0.05%
	costs for materials	208	0.04%
	costs for services and lease and rental costs	15,973	6.45%
	employee costs	30	0.02%
	other operating income	1,582	1.25%
	other operating costs	337	1.48%
	financial income	57	2.26%
Derbi Racing Srl			
	current trade payables	1	0.00%
Piaggio Hellas Epe			
	current trade receivables	11,555	12.66%
	other current receivables	55	0.13%
	current trade payables	429	0.15%
	net sales	35,510	3.64%
	costs for services and lease and rental costs	254	0.10%
	other operating income	86	0.07%
Piaggio Vehicles Pvt Ltd			
	current trade receivables	1,091	1.20%
	other current receivables	12,484	28.65%
	current trade payables	4,955	1.73%
	costs for materials	7,695	1.36%
	costs for services and lease and rental costs	57	0.02%
	other operating income	20,787	16.48%
Piaggio Group Americas			
	other current financial assets	12,349	23.70%
	current trade receivables	4,611	5.05%
	other current receivables	57	0.13%
	current trade payables	371	0.13%
	net sales	15,495	1.59%
	costs for services and lease and rental costs	1,055	0.43%
	other operating income	182	0.14%
	financial income	287	11.36%
Piaggio Vietnam			
	current trade receivables	10,561	11.57%
	other current receivables	2,528	5.80%
	current trade payables	815	0.29%
	net sales	27,088	2.77%

		Figures in €/000	% of accounting item
	costs for materials	156	0.03%
	costs for services and lease and rental costs	132	0.05%
	other operating income	10,544	8.36%
	other operating costs	28	0.12%
Piaggio Asia Pacific			
	other current receivables	5	0.01%
	current trade payables	114	0.04%
	costs for services and lease and rental costs	25	0.01%
Piaggio Vespa BV			
	current trade receivables	7	0.01%
	other current receivables	34	0.08%
	current financial liabilities	9,740	7.10%
	current trade payables	2,777	0.97%
	costs for services and lease and rental costs	2,808	1.13%
	other operating income	34	0.03%
	Borrowing Costs	38	0.11%
Piaggio China			
	current trade payables	21	0.01%
	costs for services and lease and rental costs	16	0.01%
Aprilia World Service			
	other current financial assets	5,601	10.75%
	current trade receivables	4	0.00%
	other current receivables	71	0.16%
	current trade payables	434	0.15%
	costs for services and lease and rental costs	2,626	1.06%
	other operating income	151	0.12%
	financial income	249	9.86%
Piaggio Group Japan			
	current trade receivables	553	0.61%
	current trade payables	78	0.03%
	net sales	26	0.00%
	costs for services and lease and rental costs	69	0.03%
	other operating income	1	0.00%
Aprilia Moto UK			
	current trade payables	7	0.00%
Atlantic 12			
	costs for services and lease and rental costs	1,399	0.56%
Relations with affiliated companies			
Fondazione Piaggio			
	current trade receivables	5	0.01%
	other current receivables	25	0.06%
	other non-current receivables	306	6.95%
	other current payables	30	0.07%
	other operating income	2	0.00%
IMMSI AUDIT			
	current trade receivables	7	0.01%
	other current receivables	29	0.07%
	other current payables	28	0.06%
	costs for services and lease and rental costs	748	0.30%
	other operating income	61	0.05%

		Figures in €/000	% of accounting item
Zongshen Piaggio Foshan			
	current trade receivables	1,761	1.93%
	other current receivables	134	0.31%
	current trade payables	10,809	3.78%
	costs for materials	37,065	6.55%
	costs for services and lease and rental costs	268	0.11%
	other operating income	3,159	2.50%
	other operating costs	1	0.00%
	borrowing Costs	139	0.42%
Relations with parent companies			
IMMSI			
	other current receivables	5,795	13.30%
	current trade payables	797	0.28%
	other current payables	284	0.62%
	costs for materials	2	0.00%
	costs for services and lease and rental costs	4,884	1.97%
	other operating income	57	0.05%
	other operating costs	42	0.18%
Omniaholding			
	non-current financial liabilities	2,900	0.80%
Other related parties			
Studio D'Urso			
	current trade payables	146	0.05%
Rodriquez Cantieri Navali			
	current trade receivables	33	0.04%

E) Fees paid to Board Directors, members of the Control Committee, to General Directors and executives with strategic responsibilities

Name	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Roberto Colaninno	1,290,000 (1)				
Matteo Colaninno	100,000 (2)				
Michele Colaninno	40,000				
Livio Corghi	40,000				
Franco Debenedetti	40,000				
Andrea Paroli (3)	11,026				
Daniele Discepolo	60,000 (4)				
Giorgio Magnoni	40,000				
Luca Paravicini Crespi	50,000 (5)				
Riccardo Varaldo	50,000 (5)				
Luciano Pietro La Noce	23,590 (6)				
Vito Varvaro	40,000				
Michele Pallottini		10,384		905,313 (7)	915,697
Maurizio Roman (8)		10,263		401,720 (7)	411,983

Nominativo	Emoluments for the office	Non-monetary benefits	Bonuses and other incentives	Other fees	Total
Barbara Giovanni	110,060			25,000	135,060
Arietti Attilio Francesco	76,532				76,532
Lai Alessandro	76,469				76,469
Girelli Mauro					
Fornara Elena					

(1) This amount includes Euro 1,250,000 as an emolument for the office of Chairman and Chief Executive Officer.
(2) This amount includes Euro 60,000 as an emolument for the office of Deputy Chairman.
(3) In office since 22 September 2010.
(4) This amount includes Euro 20,000 as an emolument for the office of Chairman of the Internal Control Committee.
(5) This amount includes Euro 10,000 as an emolument for the office of Member of the Internal Control Committee.
(6) The amount is calculated based on the accrual from 01/01/2010 to 3/08/2010, date when the term of office ended.
(7) Remuneration from salaried job
(8)Maurizio Roman was appointed as General Manager for Product Development and Strategies on February 26, 2010 and he had resigned on January 13, 2011.

F) Commitments and risks

39. Guarantees provided

The main guarantees issued by banks on behalf of Piaggio & C. S.p.A in favour of third parties are listed below:

Type	Amount €/000
Guarantee of Banca Intesa San Paolo issued for the Group to the Customs Authorities of La Spezia	300
Guarantee issued by Unicredit to the company for USD 5,500,000 to guarantee the credit line of USD 10,000,000 plus interest agreed on by ANZ in favour of the subsidiary Piaggio Vietnam – fully drawn on, reaching maturity on 21 January 2011 and not extended.	4,116
Guarantee of Banca Intesa San Paolo issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	299
Guarantee issued by Piaggio & C. for USD 19,500,000 to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio India	
- of which drawn	7,484
- of which undrawn	6,736
Guarantee issued by Piaggio & C. for EUR 15,000,000 to support the credit line of an equal amount granted by I.F.C. to the subsidiary Piaggio Vietnam	
- of which drawn	
- of which undrawn	15,000
Guarantee issued by Piaggio & C for USD 5,500,000 to support the credit line of USD 10,000,000 plus interest granted by ANZ to the subsidiary Piaggio Vietnam and fully drawn on	
- of which drawn	3,041
- of which undrawn	1,075
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Usa for USD 26,000,000	
- of which drawn	19,383
- of which undrawn	75
Warrant to grant credit of Piaggio & C. to guarantee the credit line from Banca Intesa San Paolo to the subsidiary Piaggio Japan for USD 4,000,000	
- of which drawn	2,918
- of which undrawn	76
Guarantee of BCC-Fornacette to Livorno Customs Authorities	200
Guarantee of MPS to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	226
Guarantee of Banca Intesa Madrid to Soc. Estatal De Correos Tel. issued on 13-08-2007 to guarantee supplies	192
Guarantee of Banco di Brescia issued to the local authorities of Scorzé to guarantee payment of urbanisation charges	166
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to Poste Italiane – Rome to guarantee contract obligations for the supply of vehicles	204
Guarantee of Banca di Credito Cooperativo di Fornacette issued for the Group to AMA SpA – Rome to guarantee contract obligations for the supply of vehicles	500
Guarantee of Monte dei Paschi di Siena issued to the Ministry of the Interior of Algeria, to guarantee contract obligations for the supply of vehicles	391
Guarantee of Monte dei Paschi di Siena issued to Foshan Nanhai-China, to guarantee contract obligations for the supply of vehicles	555
Guarantee of Monte dei Paschi di Siena issued to Akrapovic, to guarantee contract obligations for the supply of vehicles	365
Guarantee of Monte dei Paschi di Siena issued to Daihatsu, to guarantee contract obligations for the supply of vehicles	405
Guarantee of Monte dei Paschi di Siena issued to Chen Shin Rubber, to guarantee contract obligations for the supply of vehicles	303

40. Operating lease agreements

Piaggio & C. S.p.A. has stipulated operating lease agreements for the use of plant, property and equipment. These agreements are valid for an average of 6 months. As of 31 December 2010 and 2009 the amount of operating lease payments still due and which may not be annulled is as follows:

	As of 31 December 2010	As of 31 December 2009	Change
In thousands of Euros			
Within the year	8	75	(67)
Between 1 and 5 years		10	(10)
After 5 years			
Total	**8**	**85**	**(77)**

G) Non-Recurrent Transactions

During 2010 and 2009, the Company did not undertake significant non-recurrent transactions.

H) Information on financial instruments

This attachment provides information about financial instruments, their risks, as well as the sensitivity analysis in accordance with the requirements of IFRS 7, effective as of 1 January 2007.

As of 31 December 2010 and 31 December 2009 financial instruments in force were allocated as follows within the Financial Statements of Piaggio & C. S.p.A.:

Notes		As of 31 December 2010	As of 31 December 2009	Change
	In thousands of Euros			
	Assets			
	Current assets			
24	Other financial assets	52,099	28,585	23,514
	of which securities	23,051		23,051
	of which financial receivables	29,048	28,585	463
	Liabilities			
	Non-current liabilities			
27	Financial liabilities falling due after one year	363,869	443,164	(79,295)
	of which bonds	139,007	137,665	1,342
	of which bank financing	207,607	289,873	(82,266)
	of which leasing	7,470	8,261	(791)
	of which other lenders	9,785	7,365	2,420
	Current liabilities			
30	Financial liabilities falling due within one year	137,204	109,761	27,609
	of which bank financing	82.929	58.812	24.117
	of which leasing	791	758	33
	of which other lenders	4.320	2.535	1.785
	of which current account overdrafts	1	737	(736)
	of which current account payables	15.946	13.536	2.410
	of which factoring	23.254	26.598	(3.344)
	of which to subsidiaries	9.963	6.785	3.178

Securities

The item securities refers to the underwriting of Italian government securities acquired by the Parent Company Piaggio & C. S.p.A.. These securities are recorded at fair value and the changes in value recognised in a Shareholders' equity reserve. The nominal value of portfolio securities as of 31 December 2010 was €/000 23,000 and the fair value was €/000 23,051.
In terms of the portfolio risk as of 31 December 2010 a VAR (Value at Risk) equal to €/000 130 was calculated according to the parameter method (variance/covariance) and assuming a holding period of 1 day and a confidence interval of 99%. This measurement determines the maximum potential loss of the portfolio exposed to risk, following changes in market factors.

Current and non-current liabilities

Current and non-current liabilities are covered in detail in the section on financial liabilities of the notes, where liabilities are divided by type and detailed by expiry date.

Credit lines

As of 31 December 2010 the most important credit lines irrevocable until maturity were as follows:
- a €/000 155,500 credit line maturing on December 2012, consisting of a loan with amortisation/depreciation and credit opening completely refundable at maturity;
- a framework agreement with a pool of banks for the granting of credit lines for a total amount of €/000 70,300 maturing on December 2011, usable for opening a credit up to 80% and as advance on credits up to 60%;
- a pooled loan of €/000 90,000 maturing in August 2012;
- a loan of €/000 117,857 maturing in February 2016;
- a loan of €/000 18,750 maturing in September 2013.

Capitals management and liquidity risk

Cash flows and the company's credit line needs are monitored or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. The company finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions.
To better hedge the liquidity risk, as of 31 December 2010, the Group's Treasury had available €/000 162,051 of undrawn irrevocable credit lines and €/000 108,636 of revocable credit lines, as detailed below:

	2010	2009
In thousands of Euros		
Variable rate with maturity within one year - irrevocable until maturity		0
Variable rate with maturity beyond one year - irrevocable until maturity	162,051	160,129
Variable rate with maturity within one year - cash revocable	85,034	83,747
Variable rate with maturity within one year - with revocation for self-liquidating typologies	23,602	31,500
Total undrawn credit lines	**270,687**	**275,376**

Management of market risks

The market risks the company is exposed to are the exchange risk and interest rate risk.
The management of these financial risks is centralised and treasury operations take place in accordance with formal policies and guidelines which are applicable to all Group companies

Exchange rate risk management

The company operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations. In 2005, the Group adopted an exchange rate risk management policy which aims to neutralise the possible negative effects of the changes in exchange rates on company cash-flows. The policy provides the integral hedging of transaction risk, which concerns the differences between the exchange rate recorded in the financial statements for receivables or payables in foreign currency and that recorded in the related receipt or payment (net between sales and purchases in the same foreign currency) by resorting to the natural offsetting of the exposure, to the underwriting of derivatives sales or purchase contract in foreign currency, besides advances of receivables in foreign currency. The company is also exposed to the transfer risk, arising from the conversion into Euros of consolidated financial statements of subsidiaries drawn up in currencies different from Euros performed during the consolidation process. The policy adopted by the Group does not require this type of exposure to be covered.

The policy also envisages hedging the business risk - which concerns the changes in company profitability compared to the annual business budget on the basis of a key change (the so-called “budget change”) - for at least % of the exposure by recourse to derivative contracts.

The exposure of these hedging operations is therefore represented by foreign receivables and payables forecast by the 2011 sales and purchases budget. The total of receivables and payables was broken down into quarters, based on historical monthly data and relative hedging was exactly allocated to the average weighted maturity date. Future receivables and payables will therefore be recognised in 2011.
To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders’ equity reserve. Fair value is determined based on market quotations provided by main traders.

As of 31 December 2010 the total fair value of hedging instruments accounted for on a hedge accounting basis was equal to €/000 227. During 2010, losses under other components of the Statement of Comprehensive Income were recognised amounting to €/000 227 and losses from other components of the Statement of Comprehensive Income were reclassified under profit/loss for the period amounting to €/000 126.

The net balance of cash flows in the main currencies during 2010 is shown below, whereas for derivatives contracts based on exchange rates applicable as of 31 December 2010, reference is made to the list in the notes, in the section on financial liabilities.

	Cash Flow 2010	Cash Flow 2009
Amounts in ML €		
Pound Sterling	17.1	25.1
US Dollar	(54.2)	10.5
Canadian Dollar	1.8	4.5
Swiss Franc	19.3	14.5
Chinese Yuan[1]	(59,3)	(53,4)
Japanese Yen	(30.3)	(31.9)
Total cash flow in foreign currency	**4.8**	**(30.3)**

1_Cash flow in Euro

In view of the above, assuming a 3% increase in the average exchange rate of the Euro on the unhedged portion of cash flows in main currencies observed in 2010, consolidated operating income would have increased by approximately €/000 3,042.

Management of the interest rate risk

The exposure to interest rate risk arises from the necessity to fund operating activities, both industrial and financial, besides to use the available cash. Changes in interest rates may affect the costs and the returns of investment and financing operations. The Company regularly measures and controls its exposure to interest rates changes and manages such risks also resorting to derivative instruments, mainly Forward Rate Agreement and Interest Rate Swap, according to what established by its own management policies. As of 31 December 2010, variable rate debt, net of financial assets, was equal to €/000 160,023. Consequently a 1% increase or decrease in the Euribor above this net exposure would have generated higher or lower interest of €/000 1,600 per year.

Credit risk

The Company considers that its exposure to credit risk is as follows:

	2010	2009
In thousands of Euros		
Liquid assets	106,806	175,991
Securities	23,051	0
Financial receivables	29,048	28,585
Trade receivables	91,273	114,141
Total	**250,178**	**318,717**

In view of the above, assuming a 3% increase in the average exchange rate of the Euro on the unhedged portion of cash flows in main currencies observed in 2010, consolidated operating income would have increased by approximately €/000 3,042.

Hierarchical fair value valuation levels

As regards financial instruments recorded in the Statement of financial position at fair value, IFRS 7 requires these values to be classified on the basis of hierarchical levels which reflect the significance of the inputs used in determining fair value. These levels are as follows:

› level 1 – quoted prices for similar instruments;
› level 2 – directly observable market inputs other than Level 1 inputs;
› level 3 – inputs not based on observable market data.

The table below shows the assets and liabilities valued at fair value as of 31 December 2010.

	Level 1	Level 2	Level 3
In thousands of Euros			
Assets valued at fair value	23,051		17,888
Other assets		925	
Total assets	**23,051**	**925**	**17,888**
Liabilities valued at fair value			
Other liabilities		(1,151)	
Total liabilities		**(1,151)**	

The equity investment in the Atlantic 12 property investment fund, classified as non-current securities available for sale, was ranked level 3 in the fair value classification, as it was based on the appraisal of an independent expert.
During 2010, no transfers between levels took place.

The table below shows Level 2 changes occurring during 2010:

	Hedging operations
In thousands of Euros	
Balance as of 31 December 2009	126
Profit (loss) recognised in the consolidated income statement	(126)
Increases/(Decreases)	(227)
Balance As of 31 December 2010	**(227)**

I) Subsequent events

To date, no events have occurred after 31 December 2010 that make additional notes or adjustments to these interim financial statements necessary.

In this regard, reference is made to the Report on Operations for significant events after 31 December 2010.

L) Subsidiaries

Reference is made to attachments to the Consolidated Financial Statements.

M) Information pursuant to article 149 duodecies of the Consob Regulation on Issuers

The following information, provided pursuant to article 149 duodecies of the Consob Regulation on Issuers, indicates the fees for 2010 for auditing services and other service provided by the Independent Auditors and members of its organisation.

Type of service	Company providing the service	Receiver	Notes	Fees for 2010
Auditing	Deloitte & Touche S.p.A.	Piaggio & C. S.p.A.		417,085
Certification services	Deloitte & Touche S.p.A.	Piaggio & C. S.p.A.	1)	89,000
Tax advisory services	Deloitte network	Piaggio & C. S.p.A.		110,000
Other Services	Deloitte network	Piaggio & C. S.p.A.	2)	120,000
Total				**736,085**

1. Issue of the fairness opinion, pursuant to article 2441 section VI of the Italian Civil Code, signing of statements concerning income tax reductions relative to personnel employed in research and development programmes and other contributions for industrial research activities.
2. Activities related to the auditing of the Corporate social Responsibility Report and controls of the implementation of some administrative procedures.

Certification of the Financial Statements pursuant to article 154/bis of Legislative Decree 58/98

1. The undersigned Roberto Colaninno (Chairman and Chief Executive Officer) and Alessandra Simonotto (Appointed Executive) of Piaggio & C. S.p.A. certify, also in consideration of article 154-bis, sections 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
- the appropriateness with regard to the company's characteristics and
- actual application of administrative and accounting procedures for the formation of the Financial Statements as of 31 December 2010.

2. With regard to the above, no relevant aspects are to be reported.

3. Moreover, it is stated that

3.1 the financial statements:

a. have been prepared in compliance with the international financial reporting standards recognised by the European Community pursuant to regulation (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002;
b. correspond to accounting records;
c. give a true and fair view of the statement of financial position and results of operations of the issuer;

3.2 The Report on Operations includes reliable analysis of the trend of operations and operating results, as well as the situation of the issuer and a description of main risks and uncertainties to which they are exposed.

Date: 07 March 2011

/s/ Roberto Colaninno

Roberto Colaninno
Chairman and Chief Executive Officer

/s/ Alessandra Simonotto

Alessandra Simonotto
Manager in charge

MOTO GUZZI
V7 classic

Report of the Independent Auditors on the Separated Financial Statements

Deloitte.

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50123 Firenze
Italia

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AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
PIAGGIO & C. S.p.A.

1. We have audited the financial statements of PIAGGIO & C. S.p.A., which comprise the statement of financial position as of December 31, 2010, and the income statement, the statement of comprehensive income, the statement of changes in Shareholders' equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the prior year's financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on March 10, 2010.

3. In our opinion, the financial statements give a true and fair view of the financial position of PIAGGIO & C. S.p.A. as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of PIAGGIO & C. S.p.A. are responsible for the preparation of the report on operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the specific section on corporate governance with reference to the information reported in compliance with art. 123-bis

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Perugia Roma Torino Treviso Verona

Sede Legale: Via Tortona, 25 - 20144 Milano - Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239
Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the specific section on corporate governance are consistent with the financial statements of PIAGGIO & C. S.p.A. as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.
Signed by
Paolo Guglielmetti
Partner

Florence
March 22, 2011

This report has been translated into the English language solely for the convenience of international readers.

Statutory Auditors' Report to Shareholders

Piaggio & C. S.p.A.

Registered and administrative office: Viale Rinaldo Piaggio, Pontedera (PI)

Tax code 04773200011

VAT no. 01551260506

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

AS PER ARTICLE 153 OF LEGISLATIVE DECREE NO. 58/98 (THE "T.U.F.") AND ARTICLE 2429

OF THE CIVIL CODE

To the Shareholders,

In the course of the financial year ending 31 December 2010 the Board of Statutory Auditors of Piaggio & C. S.p.A. (the "Company") carried out its statutory duties, also taking into account the CONSOB circulars about company checks and the activities of the Board of Statutory Auditors, and the *Principi di comportamento del Collegio Sindacale di società quotate nei mercati regolamentati* [Principles of Conduct for the Board of Statutory Auditors of Companies listed on Regulated Markets] recommended by the *Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri* [National Council of Professional Accountants].

In the course of the financial year ending 31 December 2010, the Board of Statutory Auditors therefore checked (i) that the law and the memorandum of association were observed, (ii) that the principles of sound management were respected, (iii) that those aspects of the Company's organisational structure that fall within its remit, as well as the internal audit system and the administrative and accounting system, were adequate, and that this last could be relied upon to give a true picture of operational items, (iv) how the rules on corporate governance specified in the *Codice di Autodisciplina del Comitato per la Corporate Governance delle società quotate* [Self-regulating Code of Practice of the Committee for the Corporate Governance of Listed Companies], adopted by the Company, were actually implemented, and (v) that the directives issued to controlled companies as per Article 114, paragraph 2, of the T.U.F. were adequate.

Moreover, the Board of Statutory Auditors, as the Internal Control and Audit Committee pursuant to Article 19 of Legislative Decree no. 39 of 27 January 2010, also checked (i) the financial

information process, (ii) the efficacy of the internal control, internal audit and risk management systems, (iii) the legal audit of the annual accounts and consolidated accounts, and (iv) the independence of the external audit firm, with particular regard to the provision of non-audit services to the audited entity.

More particularly the Board can report as follows:

1. The Board verified that the Company operations having the greatest impact on its profits, cash flow and assets – which it learnt about by attending board of directors' meetings and shareholders' meetings and by talking to top management – were in compliance with the law and memorandum of association.

2. The Board did not discover, in the course of the financial year 2010, any atypical and/or unusual inter-company, third-party or related-party transactions.

The ordinary inter-company and related-party transactions, described in the Directors' Report and in the Notes to the Financial Statements, to which we refer you as appropriate, appear to be fair and in the interests of the Company.

3. With regard to the transactions indicated in point 2 above, the Board considers the information provided in the Directors' Report and Notes to the Financial Statements to be adequate.

4. The reports on the financial statements and consolidated financial statements by the audit firm Deloitte & Touche S.p.A. (hereinafter, also the "Audit Firm"), issued today (22 March 2011) pursuant to Articles 14 and 16 of Legislative Decree no. 39 of 27 January 2010, are unqualified and/or do not include any emphasis of matter paragraphs; and they certify that the financial statements and consolidated financial statements have been drawn up clearly and in compliance with the rules governing their preparation and give a true and fair view of the Company's profitability, assets and liabilities, financial position, and cash flow in the financial year ending 31 December 2010. These reports also certify that the directors' report and the information stated in paragraph 1 c), d), f), l), m) and paragraph 2 b) of Article 123 of the T.U.F. are consistent with the financial statements and consolidated financial statements.

The Board of Statutory Auditors, as the Internal Control and Audit Committee pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, also examined the report by the Audit Firm on the fundamental questions that emerged during its audit, a report that states that there are no shortcomings in the internal control system, in relation to the financial information process, important enough to be brought to the attention of the Internal Control and Audit Committee.

The Board of Statutory Auditors also examined the attestation that Deloitte & Touche S.p.A. issued, pursuant to Article 17 of Legislative Decree no. 39 of 27 January 2010, on 14 March 2011, in which (i) it declared that it was independent and that there were no grounds for incompatibility pursuant to Articles 10 and 17 of Legislative Decree no. 39/2010, (ii) it declared the non-audit services provided to the Company, also by its own network.

5. In the course of the financial year 2010 and to date the Board has not received any complaints from shareholders as per Article 2408 of the Civil Code.

6. The Board is not aware of any other complaints which it should report here.

7. During the financial year 2010 Deloitte & Touche S.p.A. received from the Company, for assignments additional to its audit work (and, more specifically, for certification services), overall fees of € 89,000.

8. During the financial year 2010 the Company paid, for audit services, fees of € 417,085 to the Audit Firm, while Piaggio & C. S.p.A.'s affiliates paid, for audit services, fees of € 45,431 to the Audit Firm and € 419,457 to the Deloitte Network.

In the course of the same year, the Company and its affiliates paid the Deloitte Network a total amount of € 134,551 for tax advisory services; the Company also paid the Deloitte Network a total amount of € 120,000 for other services.

Considering the above and the attestation of independence issued by Deloitte & Touche S.p.A. on 14 March 2011, the Board of Statutory Auditors believes that no critical aspects have emerged with regard to the independence of the Audit Firm.

9. During the financial year 2010 the Board of Statutory Auditors issued statutory opinions and attestations (opinion on the agreement between Alitalia and Aprilia Racing S.r.l. governing the

sponsoring of the Superbike World Championship and off-road races, an opinion on the co-option of the director Andrea Paroli, an opinion on the draft Audit Plan for 2011, an attestation of research costs). The content of these opinions was not at variance with the resolutions subsequently adopted by the Board of Directors.

The Board of Statutory Auditors, in compliance with the Self-regulating Code, also verified:

a) that the criteria and procedures adopted by the Board of Directors when vetting the independence of its members had been correctly applied, in accordance with the criteria established by law and the Self-regulating Code;

b) that its own members – already vetted before their appointment – still met the independence requirements in accordance with the criteria established by law and the Self-regulating Code, it being understood that, should an auditor, on his own behalf or on behalf of third parties, have an interest in one of the Company's transactions, he must promptly give extensive information to the other members of the Board of Statutory Auditors and the Chairman of the Board about the nature, terms, origin and extent of his interest.

10. In the course of 2010 the Company's Board of Directors met seven times and the Internal Audit Committee seven times; while neither the Remuneration Committee nor the Appointments Committee met (since there was no reason to call these committee meetings during the year). In the same year the Board of Statutory Auditors met eight times; it also attended all the meetings of the Board of Directors and shareholders' meetings held during the year.

The Chairman of the Board also attended five of the Internal Audit Committee meetings.

11. The Board of Statutory Auditors, to the extent of its remit, gathered information and checked that the principles of sound management were observed and that the Company's administrative structure is adequate for the purposes of complying with these principles.

In particular, as regards the decision-making processes of the Board of Directors, the Board checked that the management decisions taken by the directors complied with the law and articles of association, and that their resolutions were not contrary to the interests of the Company.

The Board of Statutory Auditors therefore believes that the principles of sound management have been observed.

12. The Board of Statutory Auditors checked the Company's organisational structure; and believes, in light of these checks and to the extent of its own responsibility, that the structure as a whole is adequate.

13. The Board of Statutory Auditors – also by liaising and coordinating with the Internal Audit Committee, the Managing Director in his capacity as the director appointed to oversee that the internal audit system is functioning, and the Supervisory Body – checked the Company's internal audit system and the work of the *Soggetto Preposto al Controllo Interno* [person who oversees that the internal audit system is functioning].

In particular, following the enactment of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors, as the Internal Control and Audit Committee, liaised and continually exchanged information with the Internal Audit Committee.

Moreover, the Board of Statutory Auditors liaised with the Internal Audit Committee about the updating of procedures following the issue of CONSOB Regulation no. 17221 of 12 March 2010 about transactions with related parties, following which, on 30 November 2010, the Board of Directors approved the new Procedure for Transactions with Related Parties.

Lastly, the Board of Statutory Auditors attended the meetings of the Supervisory Board during the financial year, liaising with it about - among other things - the updating of the Organisational, Management and Control Model pursuant to Legislative Decree no. 231/2001.

In light of these checks and the evaluations made by the *Soggetto Preposto*, the Internal Audit Committee and the Board of Directors with regard to the adequacy, efficiency and actual functioning of the internal audit system, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system as a whole is adequate.

14. The Board of Statutory Auditors checked – by collecting information from the *Dirigente Preposto* [manager in charge of preparing the Company's financial reports] and the relevant department managers, examining company documentation, and analysing the results of the Audit

Firm's work – the Company's administrative and accounting system and how reliable it is in giving a true picture of operational items.

In particular, the Board of Statutory Auditors states that in the course of 2010, with the support of the internal audit department, and for the Company and its strategically important subsidiaries, the *Dirigente Proposto* evaluated the adequacy and the actual application of the administrative and accounting procedures described in Article 154-*bis* of the T.U.F.; this work made it possible to affirm that the financial statements are able to provide a true and fair view of the profitability, assets and liabilities and financial position of the Company and the most important subsidiaries.

In light of these checks and the evaluations made by the Board of Directors of the adequacy of the Company's organisational, administrative and accounting arrangements, the Board of Statutory Auditors believes, to the extent of its own responsibility, that the system is essentially adequate and reliable for the purpose of correctly representing the operational items.

15. The Board checked that the directives given by the Company to its subsidiaries as per Article 114, paragraph 2, of the T.U.F. were adequate, and that there was a proper flow of information between them, and it believes that the Company is able to fulfil the communication obligations laid down by law.

16. During the financial year the Board of Statutory Auditors met managers from the Audit Firm in order to exchange relevant data and information with them in accordance with Article 150, paragraph 3, of the T.U.F.

At these meetings the Audit Firm did not report any facts or anomalies important enough to be indicated in this report.

During the financial year the Board of Statutory Auditors met with the supervisory body of the subsidiary Aprilia Racing S.r.l. in order to exchange information pursuant to Article 151, paragraph 2, of the T.U.F.

The fact that the Auditor Alessandro Lai is also the Chairman of the Board of Statutory Auditors of the parent company IMMSI S.p.A. has also facilitated the exchange of information with that parent company's Board of Statutory Auditors.

17. The Company has adopted the Self-regulating Code of Practice for Listed Companies, approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A.

The system of corporate governance adopted by the Company is detailed in the Corporate Governance Report for 2010, approved by the Board of Directors on 7 March 2011.

18. In the course of its activity and checks during the year, the Board of Statutory Auditors discovered no blameworthy facts, omissions or irregularities of such significance as to require flagging in this report.

19. The Board of Statutory Auditors remarks that, as far as it is aware, there has been no derogation from the law in the preparation of the consolidated financial statements and separate financial statements.

The Board, also in view of the results of the work carried out by the body responsible for accounting control, has found no reason – as far as its own remit goes – not to approve the financial statements as at 31 December 2010 as drafted and approved by the Board of Directors at its meeting of 7 March 2011, and agrees with the Board of Directors about the proposed allocation of the year's profits.

Milan, 22 March 2011

The Board of Statutory Auditors

Mr. Giovanni Barbara

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Mr. Attilio Arietti

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Mr. Alessandro Lai

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Published on March 23, 2010

PIAGGIO & C. s.p.a.

Management and Coordination
IMMSI S.p.A.
Share capital EUR 205,941,272.16 fully paid up
Registered office: Viale R. Piaggio 25, Pontedera (Pisa)
Pisa Register of Companies and Tax Code 04773200011
Pisa Economic and Administrative Index no. 134077